Austria	Sch 18	Indonesia	Rp 2700	Portugal	Esc 80
Bahrain	Din 0.850	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.80	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£L 8.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.800
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,652 Tuesday June 18 1985 D 8523 B

Argentina: Alfonsin leads from the front, Page 12

World news

Interim internal rule for Namibia

President P. W. Botha of South Africa formally transferred limited powers of self-government over Namibia (South West Africa) to a coalition of internal parties in a move widely condemned by the international community.

South Africa retains control of foreign policy and defence and the Administrator-General will retain the right to veto legislation.

The six-party "transitional government of national unity" will be responsible for governing the internal affairs of the former German colony. Page 4

U.S. bans contacts

The United States has told its embassy staff in South Africa not to meet or talk with government ministers or officials in protest against a raid by Pretoria's troops into Botswana.

Iran rejects Iraq

Iranian Premier Mir-Hossein Mousavi rejected Iraq's unilaterally declared halt to attacks on Iranian cities saying Iran intended to carry on fighting.

Pertini decision

President Sandro Pertini, Italy's 88-year-old head of state, declared that he is not putting himself forward as a candidate for a second seven year term of office. Page 2

Israeli strikes

Israel was hit by a wave of strikes as municipal workers, religious authorities and cooking-gas distributors stayed away from their jobs.

Gandhi code call

Indian Prime Minister Rajiv Gandhi called for a "well-defined code of conduct" for multinational companies to prevent chemical plant disasters, such as the one which killed more than 2,500 people in Bhopal.

Chile lifts siege

Chile's military rulers lifted a state of siege imposed last November but maintained some press controls and special powers of arrest. The move was aimed at winning U.S. backing for a debt refinancing package under negotiation. Page 3

French promises

France's neo-Gaullist party, RPR, promised sweeping reforms if returned at the next election, with more individual freedom and cuts in state controls, lifting of price and exchange controls and a 4 per cent cut in taxes.

Swiss burn waste

Swiss chemical company Ciba-Geigy began burning three tonnes of chemical waste containing the deadly poison dioxin, which leaked at Seveso in Italy nine years ago.

Shuttle blast off

The U.S. space shuttle blasted off from Cape Canaveral on its 18th mission carrying a Saudi prince and a star wars laser experiment for the first time.

Yugoslav silver trial

Seventy-one Yugoslavs went on trial in Belgrade charged with stealing at least 15 tonnes of silver worth an estimated $3.4m from the Tropca lead and zinc mines near the south-eastern town of Titova Mitrovica.

Spain expects deal

Spain expects an agreement with Britain on joint use of Gibraltar's airport this autumn, allowing for the resumption of civil air connections with Madrid. Page 2

UK oil anniversary

Britain celebrated the 10th anniversary of the production of North Sea oil. Page 7

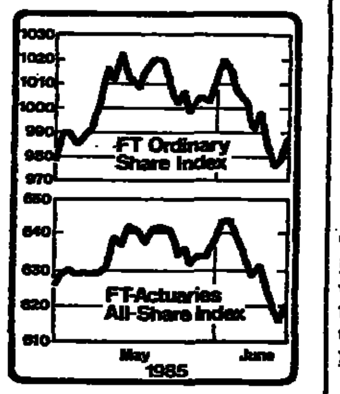
Business summary

Wachovia and First Atlanta to merge

WACHOVIA bank of North Carolina and First Atlanta of Georgia are planning to merge in a move which takes swift advantage of a recent supreme court ruling in favour of regional U.S. banking. Page 15

TOKYO shares were led higher as large-capital issues were sought. The Nikkei-Dow market average added 15.90 to 12,769.28. Page 34

LONDON stocks extended the recovery which began late on Friday. The FT Ordinary share index regained 9.2 of last week's 22.5 drop to end at 988.3. Page 34



WALL STREET: At the close the Dow Jones industrial average was 7.57 lower at 1,298.39. Page 34

DOLLAR showed mixed changes in London, rising to DM 3.0615 (DM 3.0565) and FFr 9.335 (FFr 9.31) but falling to SwFr 2.5745 (SwFr 2.5775) and Y248.65 (Y248.7). On Bank of England figures, the dollar's index rose to 145.2 from 145.0 Page 27

STERLING lost just 15 points against the dollar in London to $1.2795. It also fell slightly to Y318.25 (Y318.5) but improved to DM 3.915 (DM 3.9125), FFr 11.9575 (FFr 11.925) and SwFr 3.2925 (SwFr 3.29). The pound's exchange rate index fell 0.1 to 79.7. Page 27

GOLD rose $1.50 on the London bullion market to close at $319.25. It was also higher in Zurich at $319.00. In New York the August Comex settlement was $321.80. Page 26

MALAYSIAN Government assured nervous depositors that the country's banking system was financially sound following a run on Public Bank, the fourth largest domestic bank. Page 17

DAI-ICHI KANGYO Bank has become the first Japanese commercial bank to announce a 20m share offer in the wake of Finance Ministry approval for banks to strengthen their capital base. Page 17

FIRST CHICAGO, the 10th largest U.S. banking group, expects to see its second quarter earnings virtually wiped out by a $51m charge related to problems at Banco Denasa de Investimento, its Brazilian affiliate. Page 15

KONE, the Finnish lift and hoist maker, is to buy 51 per cent of Montgomery Elevator of Canada, formerly a wholly owned subsidiary of Montgomery Elevator of the U.S. Page 15

CHASE CORPORATION, a quoted New Zealand investment company, has paid A$58m ($38.3m) for a 19.9 per cent stake in Hooker Corporation, one of Australia's biggest property groups. Page 17

ARGENTINA will build a 500 kilowatt nuclear research reactor for Algeria. Page 5

FINANCIERE Credit Suisse First Boston, the Swiss holding company whose major subsidiary is the London merchant Bank CSFB, has acquired a 45 per cent stake in the former Effectenbank-Warburg, of West Germany. Page 15

SAS, the Scandinavian airline, has agreed to buy four Fokker F-27 turbo prop commuter aircraft from Alitalia of Italy for $7.4m. Page 5

BMW, the West German car group, will in future restrict its sales in the U.S. because it wants no export market to account for more than 15 per cent of total output. Page 15

U.S. stands firm against concessions to hijackers

THE U.S. yesterday moved naval and marine forces to the eastern Mediterranean and repeated that it would make no concessions to Shia terrorists holding more than 30 Americans from the hijacked TWA flight 847 in Beirut, writes Reginald Dale in Washington and Tony Walker in Beirut.

The White House described Mr Nabih Berri, the leader of the Shia Amal militia, as "the key" to resolving the four-day crisis and said it held him responsible for the Americans' release.

Mr Berri retaliated that he could not be responsible for the hostages' safety if the hijackers' demands were not met. "If Israel does not release the Shia prisoners it is holding then I would say to the kidnappers, take the people and do with them as your want," he told reporters.

Mr Berri said all hostages had been removed from the aircraft which is sitting on the tarmac at Beirut airport, before dawn for "their own safety."

The Amal leader, who has been authorised by the hijackers to negotiate on their behalf, said the hostages had been moved because "we don't want anyone to know where they are placed now."

It is believed that the hostages are being held at several different locations under the guard of Amal militiamen and the hijackers.

Mr Berri said: "I took all the passengers from the aircraft outside the airport because I was afraid that something might happen to them and I am responsible for them."

He added that he had received guarantees from the hijackers that no harm would come to the hostages while negotiations continue for the release of their 700 co-religionists held in Israeli jails.

U.S. officials said that they had "no reason to doubt" Mr Berri's claim that all the hostages had been taken off the aircraft although there was uncertainty as to whether some of the Boeing 727's crew were still abroad.

The removal of the hostages, fuelled fears in Washington that the U.S. might be in for a long-running crisis reminiscent of the 14-month Iranian hostage ordeal that finally ended on the day President Ronald Reagan took office in January 1981.

Mr Larry Speakes, the White House spokesman, reiterated that the U.S. did not make concessions to terrorists and "we do not encourage others to make "concessions." The hijackers had set "impossible pre-conditions" by demanding the release of 700 or more Shia prisoners held by Israel, he said.

The U.S. had not asked Israel to free the prisoners, despite indications from Jerusalem that it would welcome such a request, officials said. "We do not ask others to do what we would not do," Mr Speakes said.

Mr Robert McFarlane, Mr Reagan's national security adviser, talked to Mr Berri by telephone early yesterday, the White House said. The purpose, however, was not to negotiate "but to point out that Mr Berri and the Hijackers have the power to release those held there and that they are the key to ending this tragedy," Mr Speakes said.

The U.S. aircraft carrier Nimitz and three escort ships cancelled a port visit to Italy and were steaming at full speed to the eastern Mediterranean, Pentagon officials said. Another three ships with 1,800 marines aboard left Gibraltar, also heading east.

The Pentagon continued to decline to confirm widespread reports that an elite anti-terrorist Delta strike force had ben deployed in the Mediterranean, and was perhaps already in Beirut.

Berri profile; Desire for revenge, Page 4; Greeks were warned, Page 14

Paris to slash 1986 spending because of rising debt payments

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is to impose in 1986 some of the most severe cuts in public spending since the second world war because of a continuing sharp rise in interest payments on the national debt.

Guidelines for the 1986 budget approved by M Laurent Fabius, the Prime Minister, provide for debt service payments to rise next year by 19 per cent or FFr 16bn to just over FFr 100bn ($10.7bn).

To accommodate this increase and maintain the budget deficit within the planned ceiling of 3 per cent of gross national product, public spending excluding interest payments will be cut by 1 to 2 per cent in real terms. This is a slightly higher percentage than in this year's budget which also imposed one of the tightest curbs on spending in recent French history.

The budget strategy implies that the Government has put aside a further pre-electoral stimulus to the economy and will be fighting the parliamentary elections next March on its record in bringing down inflation and restructuring industry.

A further stimulus had become increasingly risky in any case because of the slower than expected recovery in France's trade deficit and inflation rate.

The budget is being built on the basis of a real economic growth rate next year of 2 per cent with inflation falling from the current 12-month rate of 6.5 per cent to 2.8 per cent by the end of 1986. This optimistic assumption is intended to help break inflationary expectations and encourage a lower level of wage settlements.

The budget calculations take account of a further 3 per cent cut in personal income tax costing the treasury about FFr 10bn.

Net tax receipts nevertheless will still rise by about FFr 10bn because of the automatic increase in revenue generated by a slightly higher level of economic growth.

On the expenditure side, the Government has asked all ministries for a 3 per cent nominal cut in their running expenses – excluding salaries. It has also required them to "freeze" in a reserve fund 15 per cent of their expected capital appropriations.

This sum will be available for redistribution to the four priority areas of research, defence, education and the police.

The spending ceilings of individual ministries are due to be approved by the cabinet on July 3.

M Pierre Bérégovoy, the Finance Minister, has run into attacks from his colleagues over the depth of the cuts. Criticism has come from M Pierre Joxe, the Interior Minister, and M Jean-Pierre Chevenement, the Education Minister, whose departments are among those which are meant to be receiving priority.

The parliamentary opposition believes that the Government is considerably understating the size of the deficit which it puts this year as closer to FFr 180bn than the FFr 140bn that the government has announced.

But the difficulties that the Socialists are now having in holding down expenditure demonstrate the even greater difficulties the Opposition could have in making further tax cuts or reducing the budget deficit as they have promised.

As well as a small tax cut next year, the budget calculations also provide for some rise in social allowances. Together these two elements will provide for some increase in consumer spending next year on top of the boost included in this year's budget by already programmed personal and corporate tax cuts.

Paul Betts writes: France had a visible trade deficit of FFr 1.2bn ($128m) last month against a FFr 83m surplus in May 1984, the foreign trade ministry reported last night.

The May figure brought the cumulative trade deficit so far this year to FFr 16.3bn and represented an improvement from the April deficit of FFr 4.2bn.

The latest figures appear to confirm the current forecasts of an overall trade deficit of about FFr 24bn to FFr 25bn. After cutting back the trade deficit of FFr 19.8bn last year from FFr 43bn in 1983, the Government had earlier hoped to reduce the deficit even more significantly this year.

Poll win boosts right, Page 2

New Honda-BL venture gets UK go-ahead

BY KENNETH GOODING IN LONDON

THE BRITISH Government yesterday gave the go-ahead for another joint-venture project between Austin Rover, volume car subsidiary of state-owned BL, and Honda of Japan.

The companies will jointly design and develop a medium-sized car to be launched at the end of the 1980s and which for Austin Rover will replace its Maestro model.

Mr Norman Tebbit, UK Trade and Industry Secretary, announced the strengthening of links between Austin Rover and Honda when he told the House of Commons that the Government had approved BL's 1985 corporate plan without insisting on any major changes.

Mr Tebbit said there were two further elements in the proposed arrangements between Austin Rover and Honda:

The UK company would assemble other cars for Honda's dealer network in Britain. This would be in addition to the assembly by Austin Rover on Honda's behalf of versions of the XX, the luxury saloon car which is the product of the first joint venture between the companies and is to be launched at the end of this year.

Although there was no formal acknowledgement yesterday, it seems likely that Austin Rover will assemble Honda Ballade models at its Longbridge plant in Birmingham, central England, starting early next year at an initial annual rate of 4,000 to 5,000.

Honda is also considering manufacturing engines at the 330-acre site it has acquired at Swindon, 70 miles west of London. The Japanese group will make a decision about this project before the end of 1985.

Renault, the French state-owned car group, said it would cut 21,000 jobs by the end of 1986 in an effort to reduce mounting losses which totalled a record FFr 12.55bn ($1.3bn) last year. Page 14

Mr Tebbit made it clear he hoped Honda would go ahead with the Swindon engine scheme. He said it was difficult to see how Honda could reach the required levels of European content for the proposed joint-venture medium car without it.

The BL corporate plan has been delayed for six months by a debate about the group's £1.8bn ($2.3bn) five-year investment programme and whether Austin Rover should proceed with the development of the so-called K series engine to replace the A-series used in the Metro. There was some government pressure on BL to drop the £250m engine project and have Austin Rover buy a suitable power unit from Honda instead.

Mr Tebbit said there had been no cut in the investment programme presented by BL and that Austin Rover would go ahead with the K-series engine.

The Government has found a way, however, to keep a tighter financial rein on BL. The pattern of future borrowing had been agreed with the company, Mr Tebbit said.

Mr Tebbit insisted that no further state money would be made available to BL

Background, Page 7;
Editorial comment, Page 12

Accountants to study Sinclair's books after Maxwell rescue

BY JASON CRISP IN LONDON

MR ROBERT MAXWELL, publisher of the Mirror Group newspapers, has appointed Coopers and Lybrand, the accountancy firm, to examine the books at Sinclair Research following the proposed takeover of the home computer company agreed on Sunday.

The appointment follows a disagreement last week between the company and its auditors, Deloittes, over the accounts for the year ended March 1985. The main point of disagreement is thought to have been over the valuation of the company's high levels of stocks.

Late on Sunday Mr Maxwell agreed to buy a 75 per cent stake in Sinclair Research, which has severe cashflow problems, for about £12m ($15.4m). The shares will be bought by Hollis Bros ESA, the fast-growing office and service supply group which is a publicly quoted subsidiary of Pergamon Press.

Mr Maxwell said yesterday that Sinclair Research was an important national asset which had very exciting technology. Mr Maxwell, who becomes non-executive chairman of Sinclair Research, said the company would sell or licence the ambitious wafer scale integration microchip project.

Sir Clive Sinclair

Earlier this year, Sir Clive Sinclair, founder of Sinclair Research, began trying to raise £50m to start production of this highly sophisticated type of semiconductor. Yesterday the company claimed it had produced the first wafers using the technology and that they were suitable for volume manufacture. Mr Maxwell said: "IBM would give its eye teeth for this technology."

Sir Clive will cease to be a director of the company. He has been appointed president and will continue to run its research and development side as an outside consultant. There is some confusion over whether Sir Clive could start another company. Mr Maxwell said there was a "five year agreement which precludes him from doing anything for anybody elsewhere."

However, Sir Clive said yesterday that he would not be prevented from setting up a new company although he did not expect to. "Most of my time will be taken up running the various research and development projects at Sinclair Research."

Mr Maxwell said a new chief executive for Sinclair Research would be appointed in the next few days. The unnamed appointee is not working for Mr Maxwell at present and had been identified by the company in a search which started several months ago.

The refinancing of Sinclair Research is to be done through a three-for-one rights issue of £1 a share. Hollis is to buy shares from Sir Clive, who currently owns 83 per cent, and will take up all his entitlement to the rights issue. The deal values the company at £18m compared with £135.9m in February 1983 when 10 per cent of the equity was placed with financial institutions.

Continued on Page 14

Sperry and Burroughs break off talks on merger

By Terry Dodsworth in New York

MERGER talks between Sperry and Burroughs, two of the largest U.S. mainframe computer manufacturers, were abruptly called off yesterday when the two sides failed to reach agreement on the terms of a paper offer before the expiry of a deadline set by Burroughs

The announcement plunged share dealings in Sperry into confusion, with 1.7m shares changing hands in the first three hours of trading, as its share price fell by $4¼ to $51¾. Burroughs' share price rose by $¼ to $56.

Wall Street's reaction to the abortive talks reflects the widespread doubts over Sperry's future following two attempts to solve its long-term market problems through mergers. Only three months ago, ITT pulled out of negotiations with the computer group, and for most of the time since then Sperry has been in discussions with Burroughs.

Analysts expect Sperry will now be pursued as a takeover target by other companies, some of whom may be eyeing its large defence electronics business as well as its more problematic computer division.

Burroughs is the third largest U.S. mainframe computer manufacturer and would have become number two behind IBM if it had pulled off the merger with Sperry. It now intends to continue to grow through "internal expansion, acquisition and other opportunities."

Sperry attributed the breakdown of negotiations to concern over the price of the deal and its own need for more information to allay fears over customers and possible anti-trust action.

The proposed agreement would have been structured as a takeover of Sperry by an issue of Burroughs' common stock at a suggested value of $65 a share – a price which would have valued Sperry at almost $3.7bn.

Sperry had become increasingly anxious over the last few days, however, over the fall in Burroughs' share price, which was jeopardising the value of the transaction to Sperry shareholders. It indicated yesterday that it would be opposed to a deal if Burroughs' shares slipped to $55.

Burroughs, stressing that its proposals to Sperry had been "negotiated and recommended" by the financial advisers of both parties, said it had decided to abandon the discussions because publicly-traded companies could not remain in open merger discussions for an extended period.

Data General cuts jobs, Page 15

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U.S. trade veteran in talks with Gorbachev

By Our Moscow Correspondent

VETERAN U.S. industrialist Mr Armand Hammer, a successful trader with Moscow since Lenin's days, met Soviet leader Mr Mikhail Gorbachev yesterday for talks on a possible oil equipment deal and world politics.

Mr Hammer, 87, emerged from the Kremlin after 90 minutes of discussions with Mr Gorbachev to tell reporters that a superpower summit was likely to occur but that the Soviet leader saw no urgency in arranging a time and place.

As head of the Occidental Petroleum Corporation, Mr Hammer has struck many deals with the Soviet Union, the first dating back to 1921 when he met Lenin. He has seen every Kremlin chief since then except Mr Yuri Andropov and has often acted as a contact between Washington and Moscow.

Mr Gorbachev and Mr Hammer discussed Occidental's plans to sell special oil drilling equipment for use in Arctic conditions in Siberia and the possibility of constructing a coal slurry pipeline from there to European Russia.

Soviet oil production has reached a plateau

Spanish expect accord with UK on joint use of Gibraltar airport

BY DAVID WHITE IN MADRID

SENIOR SPANISH officials have let it be known that they expect an agreement with Britain on joint use of Gibraltar's RAF-operated airport this autumn, allowing for the resumption of civil air connections with Madrid.

However, British officials are much more cautious. The question is not considered to have progressed beyond an agreement to study the "further civil use" of the airport.

Britain and Spain have held two meetings on the aviation issue since their accord signed in Brussels last November to open discussions on the future of the colony. The border between Gibraltar and Spain was opened to road traffic in February for the first time since General Franco cut off all communications in 1969.

The influential daily newspaper El Pais reported yesterday that a political agreement had been reached on joint use of the airport and that only technical details remained to be tied up. It said that a Spanish and a British airline would operate the Madrid-Gibraltar route alternately, and that the airport would have a double exit system so that passengers could disembark directly into Spain. This arrangement would be modelled on the example of Basle-Mulhouse airport on the French Swiss border.

The report underlined that such an agreement was not regarded by the Spanish Foreign Ministry as an acceptance that the airport, situated on the isthmus linking the Rock with the mainland, was on British territory.

The isthmus, a former no man's land effectively annexed by Britain in the 19th century, is considered by the Spanish to be a separate issue from the Rock itself since it is not included in the 1713 Utrecht Treaty.

Sr Mariano Berdjeo, director for European political affairs at the Ministry, was quoted as saying that Spain had always made a formal reservation about the isthmus in the bilateral negotiations, and that this had always been accepted by Britain.

Kremlin speech noted in Warsaw

TREMORS EMANATING from the Kremlin after the radical speech last week by Mr Mikhail Gorbachev, the Soviet leader, criticising the Soviet Union's economic performance and opening the search for ways of improving efficiency, have surfaced in Poland, writes Christopher Bobinski in Warsaw.

General Wojciech Jaruzelski, the Polish leader "warmly urged" a central committee to "study the speech and draw conclusions."

He declared too that from now on party and government administrators "including those at the centre" could expect to come in for open criticism.

More important, the general appealed for respect for his policies in other Eastern European capitals.

The Polish leadership has been criticised in the West for its repressive moves since 1981 but at the same time a number of unorthodox features have led to a deep mistrust throughout the Soviet bloc.

"We entertain the ambition, and this in all probability is a healthy thing, that the new, effective, often unique methods employed by our party and state be accepted as interesting by our friends."

In private, observers on the pragmatic wing of the establishment view Mr Gorbachev's speech as the most radical critique of Soviet shortcomings since Mr Khrushchev's time.

Pertini says he will not seek second term

By James Buxton in Rome

ITALY'S 88-year-old President, Sig Sandro Pertini, says he will not seek a second seven-year term of office. It is only a week before the two houses of Parliament and representatives of the country's 20 regions begin the process of electing the next head of state. The process usually lasts several days.

The election is important because the choice of President affects the balance of political forces and therefore the composition of governments. The post also has additional appeal because of the prestige given to it by Sig Pertini's highly popular and influential tenure.

Sig Pertini declared on Sunday that the presidential term was long and that "not by chance has it been the republican practice that the president has not been re-elected. Therefore my own candidature for the next seven-year term does not exist."

Candidates for the presidency, however, rarely state publicly that they are available for the position—to do so is to risk failure and consequent humiliation. Candidates are instead proposed by political parties or groups of MPs.

What Sig Pertini has never specifically said is that he would refuse to allow himself to be proposed for a second term and to serve if elected. It is still theoretically possible that this will happen: up to now the Communist party has indicated that it would support him.

However, the Christian Democrat Party reiterated last week that it wanted to continue the tradition under which the presidency alernates between Catholics and non-Catholics. Since Sig Pertini is a member of the Socialist Party, part of the non-Catholic sector of the Italian political spectrum, that points to the next President being a Christian Democrat.

The Christian Democrats have several possible candidates who are worthy though less charismatic than Sig Pertini. Those most often mentioned include: Sig Francesco Cossiga, president of the Senate; Sig Leopoldo Elia, until recently president of the constitutional court; and Sig Arnaldo Forlani, Deputy Prime Minister.

The President must be 50 or more. To be elected a two-thirds majority is necessary on the first three ballots; thereafter an absolute majority is sufficient.

Ministers disagree on fighter project but talks to continue

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

EUROPEAN DEFENCE ministers were still at loggerheads yesterday over their project to build jointly a European Fighter Aircraft (EFA) for the 1990s after meeting for nearly three hours in London yesterday.

The main success of the meeting of the five prospective partners—Britain, France, West Germany, Italy and Spain—was that it did not break up with everyone deciding to go his own way, as many observers had feared.

After discussing the project in what was described by a British Defence Ministry spokesman as "a businesslike and cordial atmosphere," the ministers decided to resume their negotiations for two hours today.

However, no-one believes that the main issues still dividing Britain and France—the weight of the aircraft and the thrust of its engine—can be settled in the short time available to the ministers today.

The big question-mark now hanging over the project is how long the participants are prepared to go on talking. Some countries like Britain and West Germany want agreement not later than this summer, while others are prepared to wait longer.

At yesterday's meeting, France was still insisting on a lighter aircraft to fulfil a ground attack role, while Britain and the other three countries favour a heavier aircraft for air defence purposes. Though a compromise was reached by the ministers in Rome on May 16 on a weight bracket of 9.5 to 9.75 tonnes there is still disagreement over whether or not these figures should include additional equipment.

Differences also persist over the proportion of work to be allocated to the aircraft industries of the participating countries, though officials said that this problem could be solved relatively easily once the issues of weight and engine size had been settled.

The EFA discussions were followed by a meeting of the Independent European Programme Group (IEPG), which was set up in 1976 to strengthen the contribution of the European nations to Nato's efforts in the field of armaments co-operation.

The 13 defence ministers of the Group, who will continue their meeting today, were understood to have made some progress in their studies of 3 main collaborative areas:

- a main battle tank replacement, concentrating in the first instance on the maximum use of common components;
- a future medium surface-to-air missile;
- a future transport aircraft.

The ministers also identified some 30 new areas in which they aim to harmonize their operational requirements and worked out some specific proposals to improve the competitiveness of European defence industries, which will be announced today.

Poll win boosts French Right's national hopes

BY DAVID HOUSEGO IN PARIS

THE FRENCH parliamentary Right has had its hopes of victory in next March's legislative elections boosted by a surprisingly large by-election win in a shipyard town on the Mediterranean.

M Charles Scaglia, joint candidate of the neo-Gaullist RPR and the centrist UDF parties, won control of the municipality of La Seyne in the first round of the vote on Sunday, so ending 64 years of left-wing, and largely Communist, rule.

It was the fifth time in two years that the town has gone to the polls to elect a mayor and municipality—the result of a series of elections being declared void because of malpractices. The Communists have seen their share of the vote tumble from 61 per cent in 1977 to 40 per cent in Sunday's vote. Because of the series of re-runs the abstention rate has also risen sharply to 33 per cent at the weekend.

The Cmmunist's overwhelming defeat at the weekend was in large part due to the failure of the Socialists in the town to support them. This, in turn, reflects Socialist resentment at the strength of Communist attacks on the government of M Laurent Fabius, the Prime Minister. The Left has also lost ground in the town because of the prospects of further cuts in the labour force at the shipyard.

President of Israel begins visit to Ireland

By Brendan Keenan in Dublin

MR CHAIM HERZOG, the Irish-born President of Israel, began a four-day official visit to the Irish Republic yesterday.

Strict security surrounded the visit but there was little sign of any protests, despite some tensions that have arisen between Israel and Ireland over the situation in southern Lebanon, where 700 Irish troops are on UN duty.

Last night, President Herzog was the guest of the Irish President, Dr Patrick Hillery. He will have lunch with Dr Garret FitzGerald, Prime Minister, today.

Several of the events scheduled during the visit involve Mr Herzog's returning to areas of Dublin where he lived as a boy. His father, as well as being Chief Rabbi of Ireland, was involved in the Irish independence struggle.

The Israelis are anxious to improve trading and industrial links between the two countries but there seems little prospect that the Irish will agree to the establishment of full-scale diplomatic representation.

At present, the Israeli Embassy in London looks after Ireland and the Irish Embassy in Greece is accredited to Israel.

Eastern Europe criticises Kohl speech to Silesians

BY LESLIE COLITT IN BERLIN

EASTERN EUROPE has criticised Chancellor Helmut Kohl's speech on Sunday to Silesian exiles at which he was heckled by right-wing extremists when he appealed for reconciliation with Poland and said West Germany had no territorial claims on that country.

Mr Ryszard Wojna, spokesman for the foreign affairs committee of the Polish parliament, said Herr Kohl still lacked the courage to demand that West German "revanchists" give up their illusions.

He accused the Chancellor of indirectly supporting the "dangerous illusions" of the Silesian exiles.

East Germany's main Communist newspaper, Neues Deutschland, noted yesterday that although Herr Kohl had said Bonn raised no territorial demands, he simultaneously supported the "unrealistic" thesis that the present borders were not permanent.

"Stripped of its accessories," the newspaper said, "Herr Kohl's speech basically supported the untenable thesis of a German Reich in its 1937 borders."

Tass, the Soviet news agency, said the Chancellor's speech reflected the contradictions in Bonn's *Ostpolitik*. It noted that while he re-affirmed that West Germany raised no territorial claims and spoke of reconciliation, he also supported the ideas of the "revanchists" on the provisional nature of the present frontiers.

Hungary calls for productivity from athletes

By our Berlin Correspondent

HUNGARY'S ECONOMIC reforms which stress wages based on productivity are also to be applied to the country's athletes to try to boost their lacklustre performance.

About 1,000 athletes, including 750 soccer players, are employed in special jobs by companies which subsidise sports clubs. The same situation exists in other East European countries but is never discussed openly.

Besides paying their salaries, the companies also help the athletes obtain flats and other benefits. But a newspaper claimed recently that the companies were paying workers "who do not produce value."

The Government has now declared that it is intolerable that track and field stars who are not even among the top 100 in their events continued to receive salaries although they "never appeared at their place of work." In the future only those who achieve international success are to be "subsidised."

Cresson urges realistic agenda for trade talks

BY FRANK GRAY IN LONDON

THE WORLD'S major trading blocs were urged yesterday to prepare a thorough, workable and realistic agenda before launching what otherwise could be an ill-prepared round of global trade negotiations.

Mme Edith Cresson, the French External Trade Minister, said that France favoured the principle of a new round of talks to liberalise world trade and curb the rising tide of protectionism. But she made clear, in a speech before the Trade Policy Research Centre in London, that such talks would be pointless without "thorough preparation."

Her speech sought to correct impressions which emerged from the recent Bonn economic summit that France opposed a new trade round. France, she said, fully supported the position of a new trade round worked out within the EEC. In effect, this meant: "Before thinking about the date, let us first agree on what we are to discuss."

Mme Cresson said that major problems on formulation of an agenda still had not been worked out by the U.S. and Japan, the main promoters of a new round to be held under the auspices of the General Agreement on Tariffs and Trade (Gatt).

American indecision on the issue was still prevalent at the informal trade ministers' meeting in Stockholm which ended last week.

She said that the lack of tangible marketing opening measures by Japan, and continuing protectionist pressures in the U.S. remained serious problems for other nations. But any hurry to set a 1986 date for Gatt trade talks because of domestic problems in the U.S. and without adequate preparation did not provide a sound basis for rushing into talks as early as next year.

"I do not see why those pressures ... should go away just because a date has been announced for launching negotiations that will last a minimum of six to eight years."

The agenda, as agreed at Stockholm, stopped short of fixing a 1986 date. It suggested submission by various countries of a list of subjects for discussion by the end of July.

This would be followed by a September meeting of trade officials in Geneva to determine if a consensus existed to embark on a new round. If so, a date would then be fixed for a meeting of a preparatory committee responsible for setting up a timetable.

New talks would be far more complex than the Kennedy Round of the 1960s and the Tokyo Round of the 1970s, she said, since they would have to embrace such subjects as liberalisation of trade in services and monetary problems arising from the effect of floating exchange rates on world trade.

Turkey's exports fall for third month

By David Barchand in Ankara

TURKISH EXPORTS fell in April for the third month running reaching only $570m compared to $616m in February and $612m in April last year. The trade deficit for the first four months rose to $951.8m compared to $637.4m in the same period last year.

Government officials cite various possible reasons. One is that "fictitious exports" have been eliminated thanks to tougher inflation procedures and the phasing out of subsidies. Another is that the domestic economy, and housing sector in particular, is reviving and so drawing goods away from export markets.

Imports are rising steadily, from $3,104m in January-April last year to $3,302m this.

Although the change in the trade position has been relatively slight — a 5 per cent drop in exports and a 6 per cent rise in imports over four months — it is the first time since 1980 when Mr Turgar Ozal, now Prime Minister, assumed a pivotal role in Turkey's economy, that it has shown signs of worsening.

Turkey had $2.9bn trade deficit in 1984 but was hoping to trim this to $2.6bn this year, with export growth of 17 per cent. The current acount deficit is expected to drop slightly from last year's $1.4bn.

Any deterioration in the trade balance would quickly throw the country's external payments position into doubt, not least because Turkey has not been able to renew its annual standby agreement with the IMF this year — because of disagreements over growth targets and reducing public spending.

The country still relies heavily on foreign borrowing from the commercial banks to maintain its balance of payments objectives. Foreign bankers are thus likely to view the growing trade deficit with concern.

There is also some anxiety about inflation. Government statistics suggest the inflation rate has been brought down to an annual 40 per cent from 53 per cent last year. However, figures from the Istanbul Chamber of Commerce last week showed the inflation rate back up at 4.6 per cent last month, well above official estimates.

Meanwhile, the Government has published a new minerals law which will open many minerals for prospecting and mining by foreign and local private companies. However, they will be expected to pay a royalty of 5 per cent a year to the Treasury and a further 5 per cent into a special mining fund.

The law on free trade zones has also at last been published. It authorises the state planning organisation to issue licences to individuals and companies wishing to set up in them. All payments will be conducted in foreign currency and the fee of ½ per cent fob will be charged on goods handled in the zones.

Turkey plans to set up an initial two free trade zones on the Mediterranean coast at Mersin and Antalya, to be followed by others on the Aegean coast.

Dutch revise budget deficit downward

By Laura Raun in Amsterdam

THE DUTCH budget deficit will amount to only 8 per cent of net national income this year, a half percentage point lower than forecast as recently as two months ago because of an income windfall.

The figures revealed yesterday in the annual spring budget statement, puts the centre-right Government of Mr Ruud Lubbers comfortably within range of its 7.5 per cent deficit target for next year. The coalition entered office in 1982 on a platform of slashing the fiscal shortfall from around 13 per cent by widespread austerity measures. The new budget figures are likely to spark more political pressure for a relaxation.

Meanwhile, the Dutch balance of payments surplus on the current account soared by 45 per cent to Fl 4.56bn (£1.03bn) in the first quarter from Fl 3.14bn in the previous quarter and by 18 per cent from the Fl 3.88bn in the first quarter of last year. The visible trade surplus slumped by nearly half to Fl 2.79bn from Fl 5.21bn in the fourth quarter of 1984 and fell by a quarter from Fl 3.75bn a year before. The invisible trade account swung into a surplus of Fl 1.76bn from a deficit of Fl 2.06bn in the preceding quarter and jumped from a small Fl 125m surplus a year earlier.

In his spring budget statement, Mr Onno Ruding, the Finance Minister, stressed a 13 per cent growth in imports during the first quarter, particularly in investment goods, thus reducing the visible trade surplus.

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Mexico cuts price of heavy crude oil by $1.50 a barrel

BY OUR MEXICO CITY CORRESPONDENT

MEXICO is cutting the price of its heavy Maya crude from $25.50 (£20.07) to $24 per barrel, effective from June 1, agents for foreign oil firms here were told yesterday. The move was seen as "just an intermediate step" towards further price reductions next month or later, industry officials said.

Petroleos Mexicanos (Pemex) also told clients that it will not announce prices for its lighter Isthmus blend until after the meeting of the Organisation of Petroleum Exporting Countries scheduled for early next month. The new, presumably lower Isthmus price will be announced before July 15 and will be retroactive to June 1, Pemex said.

The Mexican price cut came in the wake of a stern warning at the weekend from Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, that the price of oil could fall below $20 a barrel unless Opec members stop persistent price-cutting.

Though it normally sets prices before the first of every month, Mexico which is not an Opec member had delayed fixing prices for June, a decision that drove the country's oil export sales down to their lowest levels in three years.

Permex said the state oil monopoly unofficially estimated exports for the first half of June at 1.2m b/d, its poorest record since early 1982 and 350,000 b/d less than the average registered a year ago.

But foreign oil company officials report that contractual commitments for June averaged closer to 1.1m b/d. Furthermore, they say, many clients had been deliberately delaying shipments, slowing the pace of actual liftings in June's first two weeks to below 1m b/d.

... Following yesterday's price cut announcement, June exports should begin to accelerate, foreign oil company spokesmen said. For the past three years Mexico has exported an average of slightly more than 1.5m b/d, a sales record rivalled among non-Opec producers only by the Soviet Union.

Mexico's clients also have been urgin ga cut of at least $1.50 per barrel in Isthmus, which has been pegged since February 1 at $27.75 per barrel.

Chile lifts state of siege but curfews continue

BY MARY HELEN SPOONER IN SANTIAGO

THE CHILEAN GOVERNMENT has replaced the seven-month state of siege with a state of emergency in an apparent effort to win U.S. approval for a World Bank guarantee on an additional $150m (£118m) in commercial bank loans this year.

General Augusto Pinochet's regime said that it was retaining powers to exile Chileans inside or outside the country and that the media, while no longer subject to prior censorship, would still be banned from reporting on politics or terrorism.

Many parts of Chile including the capital, remain subject to a nightly curfew.

The U.S. has been abstaining from voting on multilateral bank loans to Chile this year, in protest at continued restrictions.

Chilean officials, who are seeking at least $1bn in new commercial financing, are concerned that the Reagan Administration's disapproval could jeopardise negotiations for the World Bank guarantee.

The guarantee, if granted, would mark the first time the institution has offered such backing on a foreign debt rescheduling.

Sr Ricardo Garcia, the Interior Minister, who announcer the lifting of the state of siege on national television on Sunday night, said the Government had made the decision in view of reduced terrorist activity in the country.

The lifting of the state of siege will allow the Chilean press to operate with greater freedom. The six opposition publications banned under the state of siege are expected to reappear this week.

Peter Marsh talks to U.S. undertakers who hope to put human remains in orbit

Ashes wait for technology to rest in space

SIXTY-ONE sets of human ashes lying in the vault of an undisclosed American bank will later this year find a permanent resting place in space, according to the plans of Dr Rafael Ross Rossell, a New York-based psychologist.

Dr Rossell has set up a company, LAD, which is taking orders for funerals high above the atmosphere. The competition is being provided by Celestis, an enterprise based in Florida which has placed a contract for ejection of ashes with Space Services, a Houston rocket company, and plans its first launch in 1987.

The families of 61 dead people from around the world have each paid LAD roughly $50,000 (£39,370) to have a 2 kg batch of remains placed in orbit. The cash is in a special account, says Dr Rossell, which will not be touched until the remains are safely in space.

LAD is backed by about $1m, mostly provided by small investors, according to Dr Rossell. The company employs 15 people, mainly to deal with the tens of thousands of inquiries from around the world that LAD's advertising has generated.

Competitor

"I have been interested in space programmes since the launch of the first Sputnik in 1957," said Dr Rossell. "I don't have the abilities of an engineer or the shape or form of an astronaut, so I wanted to do something in space in another way."

Dr Rossell says he is negotiating with an unnamed U.S. rocket company for the launch of the first consignment of ashes, which he plans for this December. He does not want to give away details as these might help his rival, Celestis.

The first launch would take into orbit a total weight of about 300kg of ashes, in 1,600 containers. LAD hopes to put the remains in the geosynchronous orbit, 36,000km above the Earth, which is the most popular place for communications satellites.

Dr Rossell envisages, at a later stage, taking into orbit complete embalmed bodies though he concedes that the cost of such missions might prove prohibitive. To eject a 100kg corpse, on LAD's scale of charges, would cost about $2.4m.

Celestis, LAD's competitor in the space-undertaker business, has a different approach. The company plans to place in orbit about 3,000 km above the Earth a satellite payload containing ashes from about 10,000 bodies.

The Florida enterprise would take into the heavens only tiny samples of remains, each weighing about 30 grams. Mr James Kuhl, vice-president of Celestis and a retired cemetery executive, said the ashes from a conventional cremation would be reduced to this weight by a special, high-temperature gasification process, details of which he wants to keep secret.

Conventional

Each batch of ashes would be put in a gold-plated casket labelled with the person's name, birthday and religious message. It would cost the dead person's relatives $3,900 to eject into space one casket which, on Mr Kuhl's calculations, would stay in orbit for 63m years.

Celestis plans three launches aboard the Conestoga rocket, built by Space Services, a company headed by a former astronaut, Mr Deke Slayton. Space Services has won permission from the U.S. Department of Transportation for the scheme and plans to fire the sapsules into space from a Government rocket base at Wallops Island, Virginia.

In Britain, the Leeds Funeral Service is one of several companies of undertakers around the world which are acting as agents either for LAD or Celestis. Mr Philip Williams, chairman, said about 40 people had expressed interest in either scheme and were on a mailing list for further details.

"We would offer this as part of our normal service," he said. "We have had inquiries from people who are interested in space travel or who think that the Earth is too polluted and that space would be a peaceful place for a funeral."

Brazil financier's trial begins

BY ANN CHARTERS IN SAO PAULO

THE TRIAL of Mario Garnero, an internationally known Brazilian businessman and promoter of Brazilian investments, began last week in the new Government's first attempt to prosecute alleged "white collar" financial crime.

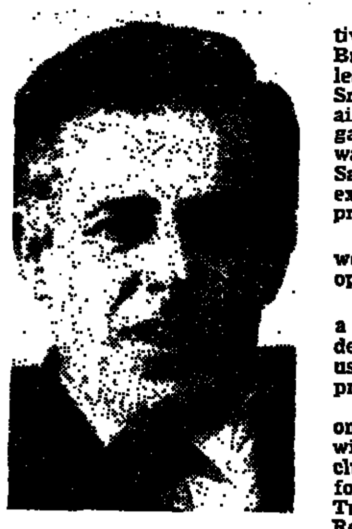
Sr Garnero, president of the Brasilinvest Group, is charged with "ruinous" and fraudulent operations against the Central Bank, causing losses to investors and increases in the worth of other companies.

The charges refer to 10 companies, created within five months from May to September 1984, which were the beneficiaries of loans from the Brasilinvest investment bank totalling Cr 27.6bn (about £125m).

On March 19, 1985, the first working day of Brazil's new Government, the Central Bank closed the Brasilinvest investment bank and financial services company, contending that the bank showed a deficit of nearly Cr 340bn and owed almost Cr 2.7bn in income taxes.

The closing barely made a ripple in financial markets because the investment bank had significantly reduced its operation the month prior to its liquidation.

The Central Bank requested the imprisonment of Sr Garnero to prevent him fleeing the country. Although the request was not granted by the court, Sr Garnero and members of the bank's administrative council, which by law were to oversee operations of the companies, had their personal assets blocked and can only travel with government permission.



Mario Garnero: charged with "ruinous" and fraudulent operations against Central Bank

Members of the administrative council include well-known Brazilian political and business leaders. They include Sr Hello Smidt, president of the Brazilian airliner airline Varig, Sr Wolfgang Sauer, president of Volkswagen in Brazil, and Sr Mauro Salles then special secretary for extraordinary affairs for former president elect Tancredo Neves.

These men have said they were not involved in the daily operations of the ank.

In the trial, which could last a month, Sr Garnero is being defended by a lawyer who usually defends political prisoners.

Last week the trial focused on the summoning of character witnesses, who reportedly include Mr William Simon, the former Secretary of the U.S. Treasury and Sr Joao Paulo dos Reis Vellos, ex Planning Minister of Brazil.

Sr Garnero's trial appears to suggest that wealth and influence no longer offer immunity from criminal prosecution.

Last week, Sr Francisco Dornelles, Minister of Finance, set up a commission to draw up in financial institutions through legislation protecting investors a federal insurance programme and to clearly define financial crimes and their punishment.

Argentina claims partial victory in austerity drive

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINE officials were yesterday claiming a partial victory for President Raul Alfonsin's austerity measure and price freeze after arresting only a handful of traders for marking up prices illegally.

Argentine consumers appear to have reacted calmly to the first working day of the President's "shock" economic programme. Banks and official exchange houses remained closed, however, during the second official bank holiday decreed in less than a week.

In the 15 city blocks which make up the capital's financial centre, visible business was nonexistent. Managers and staff were understood to be working frantically behind closed doors on the implications of interest rates which by decree must not rise above 6 per cent a month.

Black market exchange dealers were operating in dark corners of remote buildings offering a rate roughly in line with the official rate fixed on Friday, 80 cents of the new Austral currency unit to the U.S. dollar.

The scene was very different from last week when in one day the value of the peso on the black market slipped downwards by 24 per cent.

Some citizens decided to give their black market exchange dealer a miss for the day. However, some admitted that their moral principles and their determination to stay away from the black market would be sapped if the banks and official exchange houses remained closed much beyond today as the Central Bank is threatening.

Venezuela debt date

VENEZUELA should sign its first public sector rescheduling contract in late September, covering $6bn (£4.7bn) of debts assumed by the Republic, according to Sr Carlos Guillermo Rangel, the country's chief debt negotiator, Reuter reports from Paris.

The contract was originally due for signature by the end of June. The rest of the $21.2bn deal provisionally agreed with a 13-bank advisory committee last month should be finalised by the end of the year, Sr Rangel said after presenting the agreement to more than 70 European banks.

U.S. current account deficit at $30bn

By Stewart Fleming in Washington

THE U.S. incurred a deficit on the current account of its balance of payments of $30bn in the first three months of this year and may have become a "net debtor" nation in that quarter, Mr Malcolm Baldridge, the U.S. Commerce Department Secretary said yesterday.

The current account figures showed that for the second consecutive quarter the current account deficit, which includes investment and services income, was larger than the trade deficit. The first quarter trade deficit was $29.44bn. Four years ago, in 1981, the last year in which the U.S. recorded a current account surplus, the U.S. generated a services surplus of $41bn which more than offset the trade deficit.

By the first quarter of 1985, however, the net services, surplus shrank to only $2.6bn. Mr Robert Ortner, the chief economist at the Commerce Department, said that, with the U.S. now probably a net debtor, the surplus on services would tend to shrink further.

The transition of the U.S. from a country which owned more assets abroad than it had debts to one which is now in debt to the world — and could by the end of this year be a larger net debtor than either Brazil or Mexico — has been a source of growing concern to economic policymakers.

As the services and trade accounts of the balance of payments move into deficit it will require a larger and much more disruptive correction of the huge U.S. trade deficit in order to achieve an overall improvement in the current account balance.

The current account deficit, reached $101.5bn in 1984 according to the latest Commerce Department figures. The International Monetary Fund has warned that the deficit could become self perpetuating because of the costs of interest payments on a foreign debt widely expected to hit $1 trillion (million million) by the end of the decade.

Commerce Department data for the first quarter released yesterday suggested that there was an inflow of foreign assets into the U.S. of $16.5bn compared to $33.31bn in the fourth quarter of 1984.

Stand-off over fate of Shi'ite prisoners

By David Lennon in Tel Aviv

A STAND-OFF between the U.S. and Israeli Governments over the release of Lebanese prisoners held in Israel is prolonging the agony of the hostages from the TWA airliner.

Israel will only consider releasing the 766 Lebanese Shi'ite prisoners, as demanded by the hijackers, if Washington requests Jerusalem to do so. So far, the U.S. Government has not made such a request. Both governments have long proclaimed a policy of not giving in to terrorists' demands and now neither wants to be seen to be bowing to the hijackers' blackmail.

This has caused a struggle between Jerusalem and Washington to see who will take the responsibility for releasing the detainees. The Americans tried to get around the problem by channelling the request through the Red Cross. Mr Ehud Goll, a Foreign Ministry spokesman, said yesterday that the Americans told Israel on Sunday that a Red Cross representative would "approach us with certain requests and suggestions." The representative has not yet turned up.

The official made clear that Israel would not be satisfied with a request from the Red Cross. "Even if we are to be approached by the Red Cross, we would still expect to see an American approach." Mr Haim Barley, the Police Minister, said that Israel does not have to take any initiative to bring about the release of the hostages. However, he said, Israel would give serious consideration to a "direct U.S. request from the appropriate level" to free the prisoners.

The irony of the situation is that Israel had intended all along to release the Shi'ite prisoners. Over 400 of the 1,200 detainees transferred to Israel from Lebanon in April were released earlier and the rest were expected to be freed shortly.

Roger Matthews assesses the role of Lebanon's Shi'ite leader in the wake of the TWA hijacking

Test for Berri's grip on the holy war extremists

WHEN Mr Robert MacFarlane, the U.S. National Security Adviser, put through a phone call yesterday to Mr Nabih Berri in Beirut it underlined the critical role played by the Shi'ite leader not just in the present hijack crisis but also in the recent bloody history of Lebanon.

Mr Berri does not square with the cartoonist's picture of a militant Shi'ite leader. The head of Amal, Lebanon's largest and most potent Moslem force, is clean-shaven, softly spoken, sometimes diffident and invariably wears a tie. He trained as a lawyer, partly in the U.S., where his first wife and children still live.

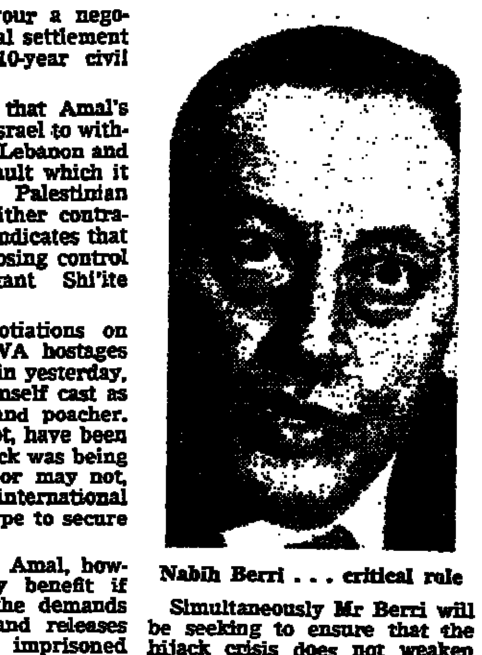
Yet Mr Berri is also the man who, since 1978, has channelled and guided the upsurge of political and military militancy among the Shi'ites, a group now forming the majority of Lebanon's population but who historically have been the most deprived.

People who know Berri well claim that he is at heart a Lebanese nationalist and by training would favour a negotiated, constitutional settlement to the country's 10-year civil war.

Sceptics suggest that Amal's success in forcing Israel to withdraw from most of Lebanon and the three-week assault which it has launched on Palestinian camps in Beirut either contradicts that view or indicates that Mr Berri may be losing control over more militant Shi'ite elements.

During the negotiations on the fate of the TWA hostages on Sunday and again yesterday, Mr Berri found himself cast as both gamekeeper and poacher. He may, or may not, have been aware that the hijack was being planned: he may, or may not, favour the use of international terrorism of this type to secure Shi'ite objectives.

As the leader of Amal, however, he can only benefit if Israel acceeds to the demands of the hijackers and releases the 700 Shi'ites it imprisoned during its occupation of south Lebanon.



Nabih Berri . . . critical role

Simultaneously Mr Berri will be seeking to ensure that the hijack crisis does not weaken his authority over Amal or over the wider Shi'ite movement. It is believed that Mr Berri's priority is to ensure substantial political and economic gains for the Shi'ites in Lebanon and not to be drawn into an international "holy war" on behalf of all "oppressed" Moslems, as advocated by Iran.

Mr Berri took over as head of Amal in 1978 following the still-unexplained disappearance of Imam Musa Sadr, a populist clergyman, during a visit to Libya. His secular and sometimes pragmatic style of leadership has been in sharp contrast to that advocated by Tehran, and relations between Mr Berri and Ayatollah Khomeini's principal aides have deteriorated steadily during the past two years.

These growing divisions were obscured by the unanimous Shi'ite objective of forcing an Israli withdrawal. Whether suicide bomb attacks on American marines, French troops or Israeli convoys were carried out by one faction or another was of relatively minor importance.

However, the hijacking and the threat of American reprisals if its authorship can be confirmed have taken on rather broader implications. U.S. officials will have noted that no fewer than three Iranian delegations have recently been in Damascus, from where it is simple to cross into Lebanon.

It has also been instructive to observe the ideological tangle the Iranian regime has been seeking to unravel with its Shi'ite co-religionists in Lebanon attacking Palestinians, the very people on whose behalf Iran is supposed ultimately to be fighting the Gulf war. Iranian propoganda asserts that the road to Jerusalem (and the defeat of Israel) leads first through Baghdad (the capital of Iraq).

Mr Berri is undoubtedly viewed in Tehran as an obstacle to its dream of a militant Islamic republic in Lebanon. Much preferred would be Sheikh Hussein Mohammed Fadlullah who is credited with the leadership of the Hezbollah (the party of God) and who recently escaped a car bomb attack which the U.S. media claimed could be partially linked to the CIA.

Alternatively, or perhaps in parallel, there is the Islamic Jihad (Holy War) or the Islamic Struggle Organisation which are often associated with Hussein Musawi, a former military commander of Amal who now operates from eastern Lebanon in conjunction with a group of Revolutionary Guards from Iran.

Given Lebanon's anarchical situation and fast-changing alliances, any one of several groups could have planned the seizure of the TWA jet. The terrorists themselves may not even know whose objectives they are ultimately serving.

What is sure is that events in the past three years in Lebanon have created a frightening level of Shi'ite extremism which can but be a boon to the most radical forces in the Middle East. Just where Mr Berri lines up and the extent to which he can control its evolution may be vital, not just in the hours ahead but also for the future of his country.

Americans temper their desire for revenge

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

AMERICANS have once again been sickened and embittered by an event in the Middle East that is beyond their control. There is anger, not least in the highest ranks of the Reagan Administration, but there is also an acute sense of powerlessness.

The instinctive desire for vengeance is tempered by a widespread acknowledgement of the dangers of retaliation. While U.S. navy ships, only half-reassuringly, steam towards Lebanese waters, few Americans realistically believe that the hostages can be rescued by military force, particularly now that they have disappeared into the violent labyrinth of Beirut.

Although the circumstances are very different, there is an inevitable and painful feeling of déjà vu—of Tehran in 1979, and of past agonising atrocities against Americans in Beirut, a city that most of the U.S. population hoped it had heard the last of. This time, however, while the crisis is clearly a major test for President Ronald Reagan, there is no real feeling that his Administration's policies are in some way to blame.

The only voice so far raised against him has been that of Senator Patrick Leahy of Vermont, the senior Democrat on the Senate intelligence committee, who said at the weekend that if Mr Reagan's Central Intelligence Agency had spent less time "mucking about" in Central America, it might be better prepared to protect the nation against terrorism.

For the past three days the hi-jacking has been the only national story on the television, from which 90 per cent of Americans get their news, on the radio and in the newspapers. Special news bulletins flash on to the screens once or twice an hour, interspersed with interviews with released hostages and endless footage of anxious, tearful relatives.

Some of the released hostages have talked of "brutality" when the hijackers took over, others have spoken kindly of them—a sign perhaps of the so-called "Stockholm syndrome," under which victims can develop a strange psychological attraction to their captors. One woman confusingly recounted how she had prayed not to be released from the aircraft. Another, when asked whether she approved of Mr Reagan's policy of refusing to negotiate with terrorists, replied pithily "I used to."

On all sides, there are demands for retaliation once it is over—from Democrats like Mr Leahy, from former diplomats and from terrorism experts. Mr Lawrence Eagleburger, the former Under Secretary of State, says the U.S. should long ago have announced a policy that it would retaliate as a matter of principle for terrorist acts against its citizens.

Senior members of the Administration, notably Mr George Shultz, the State Secretary and Mr Robert McFarlane, the National Security Adviser, have frequently urged retribution. Mr Reagan himself vowed to avenge terrorism against Americans in Lebanon, if the perpetrators could be identified. But apart from a not very successful bombing raid in December 1983, has has refrained from doing so.

When the emotion of the moment subsides, the problems involved become clearer: in the Lebanese cauldron, it is hard to attribute responsibility among fragmented splinter groups or isolate valid targets. There are fears that an air-strike, the most likely method, could lead to new American casualties, or the taking of American prisoners, who could face show trials.

Retaliation itself could lead to a spiralling of terrorist acts against other Americans, and upset the US's moderate but vulnerable Arab allies.

Recently, the Administration was widely reported to have drawn up contingency plans for bombing targets in Iran, including the Kharg Island oil terminal and the Holy city of Qum, if the Iranian Government was clearly linked to terrorism against Americans. But there has as yet been no official claim by Washington that Iran is directly involved in the hijacking.

When asked if "state-sponsored terrorism" was to blame, Mr Larry Speakes, the White House spokesman, replied: "I don't think we are prepared to draw that conclusion." Yet the demands for some kind of revenge, powered by frustration and helplessness, are not going to fade quickly.

President Reagan . . . crisis poses major test

Botha goes ahead with interim rule for Namibia

By Antony Robinton in Windhoek

SOUTH AFRICAN President P.W. Botha yesterday formally transferred limited powers of self-government over Namibia (South West Africa) to a coalition of internal parties in a move which has been widely condemned by the international community.

South Africa retains control over foreign policy and defence and Mr Louis Pienaar, the new Administrator General Designate, will retain the right to veto legislation.

However, the sixth party Multi-Party Conference (MPC) "transitional government of national unit" will be responsible for governing the internal affairs of the former German colony which South Africa has ruled since 1915.

Pretoria has governed the country illegally since 1966 when the United Nations voted against a continuing South African administration.

One of the main functions of the new interim government will be to draw up a new constitution. A 16-member constitutional council has been set up for this purpose.

The new Government will be run by an eight man Cabinet whose chairmen will rotate amongst the six parties represented. Mr David Bezuidenhout, leader of the coloured Labour Party, was sworn in yesterday as the first chairman. The 62 member legislature or National Assembly consists of 22 members from the Democratic Turnhalle Alliance (DTA) and eight each from the Labour Party, the Swapo Democrats, the South West African National Union (Swanu), the Liberal Front of Rehoboth and the National Party of South West Africa.

Swapo has refused to take part in the new interim government and its supporters mounted a protest demonstration in the Windhoek black townshp of Katatura yesterday.

At a brief ceremony in the Tinten Palast, originally built as seat of the former German colonial administration and now seat of the National Assembly, President Botha said that Pretoria's decision to retain ultimate control over Namibia, in defiance of UN Resolution 435, was a sign that South Africans were "not a people to shirk our responsibilities."

UN Resolution 435 calls for UN supervised elections to a constituent assembly followed by elections for an internationally recognised independent government. But South Africa has made its acceptance of Resolution 435 conditional on the prior removal of 30,000 Cuban troops from neighbouring Angola.

This South African linkage has been supported by the U.S. but not by the four other members of the five-nation Western "contact group"

Official support for the linkage principle has waned further following the recent failed South African sabotage attempt on the oil installations run by the U.S.-owned Gulf Oil Corporation in Cabinda and last week's attack on alleged African National Congress (ANC) bases in Botswana.

NZ Cabinet split over taxes

BY DAI HAYWARD IN WELLINGTON

A ROW over economic policy is raging within the New Zealand Labour Government following its overwhelming by-election defeat at the weekend.

Left-wing elements within the Cabinet are trying to force a dramatic change of direction. The extent of their success in what is certain to be a heated party caucus meeting on Thursday will determine whether Labour's radical thinkers, led by Finance Minister Roger Douglas and supported by Prime Minister David Lange, continue their programme for extensive economic and tax reforms.

The conflict could also determine the lifespan of the Lange Government.

The left-wing campaign is led by Mr Jim Anderton, a former party president, who has declared publicly that the message from the Timaru election was that "the economic pain suffered for eight and a half years under the previous National Government can no longer be endured by those least able to bear it."

Mr Anderton's supporters, who include several Cabinet Ministers, have already had some success. Within hours of the election result, Deputy Prime Minister Geoffrey Palmer announced that the planned controversial goods and services tax will be deferred for six months, until October next year.

Mr Lange yesterday attempted to rally support by announcing that across the board income tax cuts, which had earlier been linked to the introduction of the GST, would still go ahead in April. However, he is still on record that the Timaru result would not make the Government abandon its reforms.

Finance for the tax cuts will come from reduced government spending and higher taxes on business, and the cuts will be smaller than they would have been had the Government had the revenue from the GST.

Mr Anderton has a large following in Parliament. As party president he built a strong power base by helping many of his supporters

Several have strong leftist and feminist views, and, the unsuccessful Timaru candidate, Ms Jan Walker, is also a protege of Mr Anderton's.

However, it is not only the Left which is worried. Many moderate backbench MPs, who would normally support Mr Lange, are also concerned, particularly over a tax surcharge on pensioners who have other income.

Mubarak meets Sudan leader in Khartoum

EGYPT'S President Hosni Mubarak arrived in Khartoum on his first visit to Sudan since an April 6 coup ousted his close ally, President Jafaar Nimeiri, the Egyptian Middle East News Agency (Mena) said, Reuter reports.

President Mubarak was met at the airport by Sudan's leader, General Abdul-Rahman Swareddahab, who was host last month to Libyan leader Muammar Gaddafi, Egypt's foe. Sudan has pledged not to improve links with Libya at Egypt's expense.

Diplomats say a reconciliation between Sudan's new army rulers and Libya caused anxiety in Cairo after the overthrow of Mr Nimeiri

General Swareddahab sent his deputy Prime Minister, Mr Samuel Aru Bol, to Cairo on May 28 to discuss co-operation

Australian reform package defended

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S brewers claimed yesterday that the country's Labor Government plans for a broad-based consumption tax of 12.5 per cent would push beer prices 15 per cent higher within a year, and by up to 25 per cent higher after two years.

For a nation of beer-drinkers, the claim had dire tones that drew an instant, angry rebuttal from Mr Paul Keating, the Treasurer (finance minister), who said the Government would not allow "profiteering" by the brewers.

The Government is staking its political future on plans for sweeping tax reform, including lower income tax rates, a capital gains tax and a crack-down on tax shelters.

In two-weeks' time, Prime Minister Bob Hawke hosts a "tax summit" of interested parties in Canberra, knowing that it will be almost as hard to convince the unions of the need for a wide-ranging consumption tax as it will be to placate business opposition

Mr Keating, who yesterday began the second week of a trans-Australia campaign designed to sell the reform package, rejected the brewers' claim as "utter rubbbish." He said that the once-off 6.5 per cent boost to inflation estimated for the proposed consumption tax would not be reflected in beer excise indexation.

China's industry restructures to lift productivity

STATE-RUN Chinese industries have sold off 5,500 small factories and turned management of nearly 52,000 enterprises over to collectives and individuals under the Communist Party's economic reforms, according to the China Daily, AP reports from Peking.

The official English-language newspaper disclosed the figures in a report about the State Commission for Restructuring Economic Systems, which is responsible for implementing changes aimed at boosting productivity. The report said the Government is now considering subdividing large enterprises and allowing workers to buy shares in them.

"By doing so, workers will regard themselves as both employees and owners of their factories and thus become more willing to work hard," the newspaper quoted an official as saying.

China has more than 400,000 state-run factories. Several began selling stock to their workers last year as a means of raising cash and increasing productivity.

Argentina to build nuclear research reactor for Algeria

BY FRANCIS GHILES

ARGENTINA will build a 500 Kw nuclear research reactor for Algeria, representing Argentina's first major agreement of its kind with a Middle East country.

It already has a similar agreement with Peru. The reactor will be of the RA-6 type, similar to the one which is operating at the Bariloche research centre in southern Argentina.

The export agreement, which is believed to fall within the International Atomic Energy Agency (IAEA) regulations, despite the fact that the exporter is not a signatory of multilateral non-proliferation accords, includes clauses for co-operation in the manufacture and use of radio-isotopes for industry, agriculture and medicine.

● Cogefar and Italstrade have been awarded a joint L300bn (£12m) contract to build new roads in the mountainous eastern part of Algeria between El Kennar and Hamma Bouziane. In addition, about 30 Italian industrialists are travelling to Algeria next month in order to promote Italian exports.

The Italian employers' federation, Cofindustria, feels that its members have not been awarded enough contracts during the past two-and-a-half years, in the wake of the agreement reached between the two countries on Algerian natural gas exports.

Last year, Italian companies won contracts worth between \$150m and \$200m only.

Central America to press for new pact with EEC

BY IVO DAWNAY IN BRUSSELS

MEXICO is to press ahead, with other Central American countries, in an effort to agree a new political and economic co-operation agreement with the EEC by the end of the year.

M Claude Cheysson, the EEC Commissioner responsible for relations with Latin America, said at the conclusion of talks with President Miguel de la Madrid and several Mexican ministers that it was hoped a new deal could be completed at a meeting in Luxembourg in November.

The European Commission will now be seeking a mandate from the EEC's Council of Ministers to open negotiations through a joint committee of senior officials to revise the current co-operation agreement signed in 1975.

He said the new agreement should be "concrete and tangible" with provisions aimed at augmenting economic growth and political security in the region.

Sr Bernardo Sepulveda, Mexican Foreign Minister, confirmed that yesterday's talks were aimed at building on discussions between foreign ministers held in San José, the Costa Rican capital, last September.

Fuelled by the new interest in Latin America generated by Spain and Portugal's accession to the Community, the new agreement is expected markedly to improve Community aid to the region.

The co-operation agreement is aimed at doubling the amount of aid made available from the EEC over the next five years through a series of trade promoting provisions including some improvements in the guaranteed system of preferences—and financial and technical assistance.

The Community is also anxious to support the efforts of the Contadora group of countries in reducing the political polarisation in the region.

Mexican trade-inspection contract goes to Swiss

BY JOHN WICKS IN ZURICH

THE MEXICAN Government has awarded a contrast to Société Generale de Surveillance (SGS), the Swiss inspection-services concern, to control prices and quality in the country's foreign trade sector.

The move which forms part of the anti-corruption campaign recently announced by President de la Madrid, will among other matters, ensure that imports of capital and consumer goods correspond to orders and payments.

SGS has been granted a mandate to carry out inspections and thus guarantee the measures are carried out "independently and efficiently."

It will work closely with the recently-formed Federal Control Ministry, with which it has been co-operating in a preliminary test.

The Geneva-based company is the leading inspection company in the world, with activities in 140 countries and 1984 turnover of more than SwFr 1.15bn (£359m).

● Special financing facilities have been granted to AMP, of Harrisburg Pennsylvania for the location of a \$5m manufacturing unit in Steinach, near the Swiss city of St Gall.

The five-year investment for[illegible] sees the creation of what w[illegible] eventually be 350 jobs for [illegible] production of high-prec[illegible] connecting devices and [illegible] connection systems.

The cantonal admin[illegible] of St Gall will grant t[illegible] to the U.S. company, a[illegible] guarantees as provided fo[illegible] federal business-development guidelines.

These lay down that guaranteed credit must be offered—in this case by Union Bank of Switzerland—at interest rates at least one-quarter below usual levels.

European groups seek to update US. car plants

BY ANDREW FISHER, RECENTLY IN TURIN

EUROPEAN companies specialising in automated factory equipment are lining up to bid for contracts in the U.S. as the major car companies prepare to update their plants with the latest computer-controlled manufacturing systems.

A key component of these is the automatic guided vehicle. Flat-topped AGVs, guided by wires in the floor, carry materials around factories.

"The market for AGVs could rise four times over in the U.S. in the next five or six years," Sig Gianni Fiori, managing director of Fata European Group, said.

At about 1,000 AGVs a year, the U.S. market is worth nearly \$80m (£66m). Late in 1984, Fata — owned since the early 1970s by Babcock International of the UK — won a \$12m contract to provide 226 AGVs to two General Motors plants.

The next contract it is seeking could be worth up to \$60m. GM wants to equip five more of its plants with the latest manufacturing systems and will need many more AGVs.

Last week, Fiat's Comau subsidiary announced an \$80m deal to supply GM factories in the U.S. and Canada with automated assembly lines for cylinder heads.

The AGV market is far more highly developed in Western Europe than in the U.S. But, said Mr Mike Hoffman, managing director of Babcock International, "many of the U.S. plants are being retooled to meet the Japanese threat. None of them now have any significant AGV equipment."

Fata, whose elegantly-arched Turin headquarters were designed by Oscar Niemeyer, the architect responsible for Brazil's inland capital of Brasilia, is a leading player in the AGV game, having suplied automated equipment to most leading car groups in Europe.

But it faces competition from Swedish, Swiss, West German and other European countries, as well as the big North American fork-lift truck companies such as Hyster which do not want to see a large slice of their market disappear.

One reason U.S. car concerns have not so far invested in such sophisticated and automated manufacturing systems as those in the UK, France, West Germany, Italy, Belgium and Sweden is that their manual productivity has already been high, Mr Hoffman noted.

Ford and Chrysler are also looking at the possibilities of modernising their plants with flexible, new systems, he said. "Only about half the value of an AGV contract is for the actual vehicle; the rest is in the software and design capability."

Fata, which last year made pre-tax profit of £2m (£1.9m in 1983) on turnover of £80m (£70m), has plenty of experience in the field of materials handling, storage and retrieval, and welding systems. It employs nearly 2,000 people, of which 1,200 are in Italy.

Fata hopes to hear later this year whether it has won the next GM order. "The potential market in the U.S. will explode," said Sig Fiori. Companies in the distribution sector or which use machining centres are likely customers for AGVs.

Apart from AGVs and storage handling systems, Fata provides machinery for aluminium production, turnkey packaging plants, and food processing systems. It recently joined with Italimpianti of Genoa to develop a container storage system for ports with limited space.

Sharp rise in exports cuts India's trade gap

By K. K. Sharma in New Delhi

INDIA has reduced its trade gap for fiscal 1984-85, to Rupees 51.87bn (£3.4bn) — a marked improvement over the figure for the previous year, when it registered a record Rs 59.51bn.

The improvement was mainly due to a sharp rise in exports of 20.2 per cent in 1984-85 when they reached the record level of Rs 112.97bn compared to Rs 93.96bn in the previous year.

Imports during the year were placed at Rs 164.85bn compared to Rs 153.47bn in 1983-84, a mere 7.4 per cent rise.

Because of the remarkable increase in exports and the slow rise in imports, the Commerce Ministry considers the fiscal year's figures to be highly satisfactory. In addition, hard currency reserves crossed the \$6bn mark in 1984-85.

The rise in reserves is mainly due to the increased inflow of earnings from invisibles such as remittances from Indians abroad which are estimated at a record \$2bn in 1984-85 and are growing.

This gives India a large cushion to plan its foreign trade even though repayments of the \$4bn loan taken from the International Monetary Fund start this year.

Caracas takes new line on phones

BY JOE MANN IN CARACAS

POOR TELEPHONE service has been a constant source of frustration in Venezuela. But the Government-owned telephone company, which last year staged a turnround to profits of \$133m (£104.7m), plans to spend several hundred million dollars on further improvements to the system.

The call by the Compania Anonima Telefonos de Venezuela (Cantv) to supply 1m telephone lines and other equipment is the biggest telecommunications contract in the country's history, and has sparked interest from some of the world's largest telecommunication groups.

Conditions of the contract, however, could pose problems for the competing bidders.

Last month Cantv asked nine companies to submit offers on the supply and installation of digital electronic switching equipment for 1m new telephone lines (868,000 local lines, 84,000 inter-city lines, and 48,000 tandem lines).

It also wants to build a factory for assembling and eventually manufacturing digital switchboards in Venezuela, with about 40 per cent local value added at early stages rising to a projected 80 per cent after eight years.

The company is also seeking a variety of support and maintenance equipment and wants financing plans for equipment purchases.

Companies invited to participate — Alcatel-Thomson, L. M. Ericsson, Northern Telecom, ATT-Philips, ITT, Fujitsu, Nippon Electric, and Siemens. Bids must be presented to Cantv by September 9.

The Venezuelan contract will not involve simply the acquisition of large volumes of foreign-made equipment. A hefty amount of foreign equipment will indeed be bought outright, but the Venezuelans expect the successful group to provide sophisticated switching equipment from their future factory here.

Purchases of new switching equipment will be programmed over a period of years and some industry officials are worried that they will be exposed to heavy risks several years hence.

One executive noted that after building a plant in Venezuela to supply electronic switchboards to Cantv, the foreign concern will be extremely dependent on its purchasing programme and finances.

The next government, which does not take office until 1989, may set different priorities for telecommunications, or simply may not have a lot of money to invest in telephone expansion plans.

The export potential of an electronic switchboard plant in Venezuela is not clear, so companies participating in the bidding have considerable homework to do. Cantv officials, however, are confident that their terms will attract a variety of sound offers.

The person responsible for lifting Cantv out of years of financial losses is Sr Jose Luis Espinel, appointed president of the company last year.

He has already succeded in improving the country's telephone and telecommunications service at various levels, adding 75,000 new subscribers and 87,600 lines, reducing breakdown rates for public telephone from 50 per cent to about 20 per cent, and improving maintenance.

Sr Espinel says his plans for expanding Venezuela's telephone system should rate a high priority for any future Government. Purchase of 1m lines will only cover about 40 per cent of demand for telephones: of the 1m new lines the company wants to acquire, the bulk will be purchased from winners of the bidding process.

The company projects that for the 10-year period starting in 1989-90, Venezuelans will need another 3.3m new phones. If Cantv's development plan is implemented, these new lines will be produced by a manufacturing facility in the country.

Foreign companies have been eagerly awaiting Cantv's tender call for almost a year and intense lobbying by a few of them have annoyed Sr Espinel.

Cantv, which has about 1.1m subscribers nationwide, says the country's deficit in telephones today is estimated to be about 1.6m units. Last year it announced plans to initiate a long-term expansion costing \$1.6bn. The company expects to invest \$333m on the deal now under study.

Delays in seeking bids on the project were caused by a variety of factors, including the complexity of drawing up a long-term development plan at a time when Cantv faced serious problems inherited from the last administration, a sluggish decision-making process at the Government level and protracted negotiations with ITT and Ericsson over phone contracts signed under the previous Government but never executed.

Ericsson and ITT signed contracts with Cantv in 1981 for 380,000 new telephone lines—60 per cent from Ericsson and 40 per cent from ITT.

A congressional committee objected to the agreement signed by the former Cantv president Sr Nepio Nefi Mago asserting that prices were too high.

The Government of President Aime Lusinchi, which took office in February 1984, held private talks with the two foreign companies, and Cantv officials say they managed to obtain better terms on the agreement. However, early this year Cantv decided not to accept the agreements.

ITT and Ericsson were far from pleased by the decision, but they were aware that filing suits against Cantv would keep them out of the upcoming competition for an even bigger contract.

SAS to pay \$7.4m for 4 Alitalia aircraft

By David Brown in Stockholm

SAS, the Scandinavian airline, has reached agreement to buy four Fokker F-27 turbo-prop commuter aircraft from Alitalia of Italy for \$7.4m (£6.1m).

The deal which will double the size of SAS's existing commuter fleet, includes both spare parts and engines.

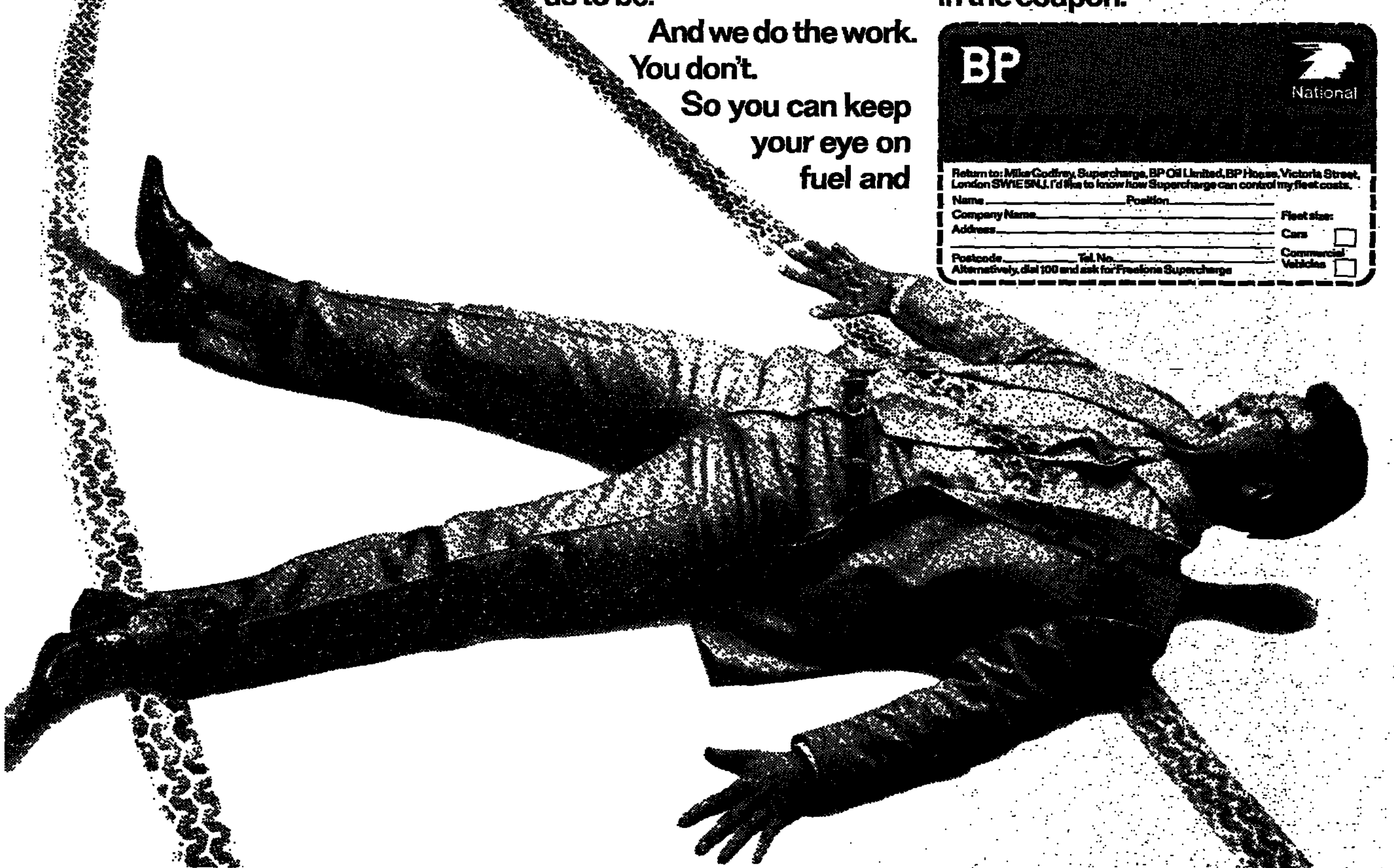
A further five commuter aircraft, probably F-27s, are to be purchased within three years, SAS says. Beyond that, expansion plans for the commuter routes call for new 50-seater aircraft now under development and expected on the market shortly.

The fleet expansion decision comes on the heels of an agreement with Norwegian and Danish unions under which pilots will be allowed to perform visual pre-departure inspections at present handled by mechanics.

However, the group is still in difficult negotiations with the Swedish mechanics' union which will play a key role in the scope of possible expansion of commuter services in Sweden.

The new 40-seat commuter aircraft will allow SAS to offer more frequent departures in low-density markets which are too small to support non-stop DC-9 services.

The first two F-27s will be delivered immediately



UK NEWS

Lonrho defends damages claim made against BA

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LONRHO has hit back at what it describes as "unwarranted and misinformed attacks" made on it by Mr Nicholas Ridley, the Transport Secretary, over the damages claim against state-owned British Airways in connection with Lonrho's joint ventures with Sir Freddie Laker.

Mr Paul Spicer, Lonrho director, said yesterday that it was "preposterous" to suggest, as Mr Ridley did on Sunday, that the claim was "a try-on." He said that Sir Freddie and Lonrho would not be maintaining the claim if there were not documentary evidence to support it.

The claim concerns two joint ventures – Skytrain Holidays and People's Airline – in which Lonrho was a 50 per cent partner with Sir Freddie. They were set up in 1982 within months of the Laker collapse.

Lonrho claims there were projected profits of $110m (£78m) a year from the two ventures before they got into difficulties as a result of an alleged conspiracy by international airlines.

The claim has alarmed the Government, coming as it does at a time when the $1.1bn anti-trust damages claim by the Laker liquidator, which has delayed privatisation of British Airways, seems likely to be settled.

Mr Spicer said that the joint claim had been made now because of British Airways' settlement initiative in the liquidator's action.

As part of that settlement, British Airways and other defendants required Sir Freddie to "sign off" against all past, present and future claims connected with that action.

That requirement, he said, brought into consideration the additional claims on the joint ventures, of which British Airways had been aware since last December.

British Airways had indicated a recognition of Sir Freddie's and Lonrho's position by an inadequate suggested figure for settlement of the claim.

Sir Freddie and Lonrho had indicated that the claim for settlement was negotiable "at a reasonable figure," Mr Spicer stated.

In the interests of privatising British Airways, Mr Spicer suggested, Mr Ridley should encourage discussions with Laker and Lonrho.

Liffe to trade gilts futures

BY ALEXANDER NICOLL

THE LONDON International Financial Futures Exchange (Liffe) yesterday announced plans to begin trading a futures contract based on short-term UK government bonds on September 10, about a year before the restructuring of the cash gilts market.

Liffe already trades a long gilt contract based on bonds with 15 years or more to maturity. The short contract will probably be based on securities with 3½ to five years to maturity.

The exchange is hoping to benefit from the reorganisation of the cash market, with the primary dealers expected to use futures to hedge their cash market positions. All but one of the 29 successful applicants are Liffe members.

Liffe said yesterday that "discussions are taking place with the Bank of England to ensure that the new contract will be appropriately acknowledged in the Bank's proposed measurement system for assessing primary dealers' position risk."

Next week, the exchange will start trading its first options contracts, a sterling/dollar contract to compete with the Stock Exchange, and an option on Eurodollar futures.

● The Stock Exchange plans to begin trading a dollar/D-Mark option on Thursday, after only a few weeks of business in its sterling option. The contract will be on DM 62,5000 (£16,000).

Bank names 29 primary dealers

THE BANK of England yesterday published the names of the 29 firms with which it is prepared to deal in the remodelled market for British Government securities – the "gilt-edged" market. They are:

Aitken Campbell & Co (Gilts), part of the independent stock jobbing firm of Aitken Campbell.

Akroyd, Rowe & Pitman, Mullen & Co, part of Mercury International, the newly formed British investment banking group.

Alexanders, Laing & Cruickshank, part of Mercantile House, the British financial group.

Bank of America.

Barclays de Zoete Wedd, part of Barclays, the British clearing bank.

Baring, Wilson & Watford, which is to be the gilt-edged arm of Baring Brothers, the British merchant bank.

BT Gilts, part of Bankers Trust, the U.S. banking group.

Cater Allen Holdings, the discount house.

Chase, Laurie & Simon, part of Chase Manhattan Bank.

Citicorp Scrimgeour Vickers, part of Citicorp, the U.S. banking group.

County Holdings Group (National Westminster Bank).

CSFB (Gilts), part of Credit Suisse First Boston, the London based investment banking arm of Credit Suisse, the Swiss bank, and First Boston, the U.S. investment house.

Gerrard & National, the discount house.

Goldman Sachs Government Securities (UK), part of Goldman Sachs, the U.S. investment banking group.

Greenwell Montagu Gilt-Edged, represents Midland Bank's interests in the new gilt-edged market.

Hill Samuel Wood Mackenzie (Sterling Debt), part of the merchant bank Hill Samuel's securities regrouping.

Hoare Govett Sterling Bonds, part of broker Hoare Govett which is forging a link with Security Pacific, the U.S. bank.

James Capel Gilts, part of broker James Capel of which Hongkong & Shanghai Bank plans to take control.

Kleinwort, Grieveson, Charlesworth, part of Kleinwort Benson, the merchant bank.

Lloyds Bank Group.

Merrill Lynch, Giles & Cresswell, part of Merrill Lynch, the U.S. securities group.

Messel/Shearson Lehman, part of Shearson Lehman/American Express, which is developing its UK securities business around broker L. Messel.

Morgan Grenfell Government Securities, part of Morgan Grenfell, the British merchant bank.

Morgan Guaranty gilts, part of Morgan Guaranty, the U.S. bank.

Orion Royal Bank/Kitcat & Aitken, part of the merchant banking arm of the Royal Bank of Canada, which is building a UK securities business through Kitcat & Aitken.

Phillips & Drew Moulsdale, part of Phillips & Drew, the British broker which is merging with Union Bank of Switzerland.

Joint venture between Prudential-Bache, the U.S. securities house and **Clive Discount**, the British discount house.

Salomon Brothers UK, part of Salomon Brothers, the U.S. investment bank.

Union Discount Securities, part of Union Discount, the UK discount house.

Cooker imports set to increase

By Christopher Parkes

THE BRITISH gas cooker industry is bracing itself for a further surge this year of cheap and often dangerous imports from southern and eastern Europe, the Society of British Gas Industries said yesterday.

Such imports, which have already effectively wiped out the West German industry and swamped the French market, are finding a ready market in Britain through an increasing number of independent and multiple outlets, the society claimed.

SBGI estimates suggest that out of total sales in the UK this year of 600,000 free-standing gas cookers, about 110,000 will be imported. In 1982 imports accounted for only 10,000 units out of a total market of 460,000.

In the fastest growing sector, built-in hotplates, imports are expected to take about 80 per cent of the market, compared with less than 50 per cent in 1982.

Foreign suppliers have also rapidly increased their share of the trade in built-in ovens. Although total sales have slackened from 63,000 to an estimated 53,000 ovens this year, imports are expected to top 18,000 in 1985 compared with only 6,000 in 1982.

British Gas showrooms, which about five years ago accounted for some 90 per cent of all unit cooker sales, now have only about 70 per cent of the market.

With privatisation approaching and competition increasing, the domestic industry is concerned that British Gas may be forced by commercial pressures to abandon its policy of selling only appliances built to strict British standards, Mr David Cropper, managing director of Thorn EMI major gas appliances division said.

Attempts to persuade the Government to impose tighter safety standards have so far proved unsuccessful. The Government appears unwilling to act because of the danger of running up against European Community rules governing technical barriers to trade.

The society complained that while its members could compete equally with any of the north European manufacturers – all of which had varying but strict safety rules – suppliers in Spain, Italy, Yugoslavia, East Germany and Hungary were not restricted in the same way.

Citicorp to treble investment in London market

BY DAVID LASCELLES, BANKING CORRESPONDENT

CITICORP, the largest U.S. bank, is to treble its investment in its UK-based capital markets subsidiary to about £250m over the next year or so. The increased resources will make it one of the largest participants in the City of London revolution.

Citicorp presented its plans yesterday for Citicorp International Bank Ltd (CIBL), which is to be renamed Citicorp Investment Bank and become the parent for six subsidiaries trading in the capital markets. They include Citicorp Scrimgeour Vickers, which was named by the Bank of England yesterday as one of the 29 primary dealers in the gilt-edged market.

Other subsidiaries are Scrimgeour Vickers, the stockbroking operation formed from the merger of Vickers da Costa and Scrimgeour Kemp-Gee, Seccombe Marshall & Campion, the discount house, and units active in international equities, venture capital and financial futures.

Mr John Botts, CIBL's managing director and chief executive, said that the extra capital demonstrated the extent of Citicorp's commitment to the City capital markets. He said that the gilt-edged dealership would be capitalised at £25m-£30m and would aim over time for a 10 per cent share of the market.

The £250m would place CIBL high in the City investment banking league, equalling the capitalisation of Kleinwort Benson, the largest UK merchant banking group. Barclays Bank and National Westminster Bank expect to invest slightly over £200m in their new City ventures.

Citicorp's £250m includes goodwill paid for its recent acquisitions of the stockbrokers and the discount house, which will have to be written off against profits over time, according to Mr Botts. But it will enable CIBL to increase the size of its balance sheet from £1.65bn last year to over £3bn.

By next year CIBL will employ about 1,500 people. Citicorp is now negotiating for space in the new Billingsgate market office development.

According to CIBL's annual report, released yesterday, the bank made £25m pre-tax last year, up from £22m in 1983. After-tax profits were £12.8m, up from £11m. Both the bank's balance sheet and profits have risen more than fivefold since 1980.

Wellcome to restrict investors' stakes

BY STEFAN WAGSTYL

THE WELLCOME Trust, owner of the Wellcome Foundation, the drugs group that is coming to the London stock market early next year, is planning to limit the size of outside shareholdings in the foundation.

Investors applying for shares in the issue, in which the trust is selling 20 per cent of the group, will be restricted to a maximum stake of 2.5 per cent.

In any subsequent shares sales, the trust intends to avoid making disposals which would give any other shareholder a stake of more than 10 per cent.

The trust, which wants to retain control over the foundation, is taking those steps after failing to win London Stock Exchange permission for a special clause in the foundation's articles of association which would prevent outside shareholders from holding more than 10 per cent of the company.

The Stock Exchange said yesterday that it allowed restrictions of this kind only when matters of national interest were involved.

Such restrictions have figured prominently in the Government's privatisation programme, after ministers ran into difficulties with the flotation of Enterprise Oil last year. Then, the Government hurriedly imposed a 10 per cent limit on shareholdings after Rio Tinto-Zinc built up a stake and bid for 49.9 per cent of the company.

ICI cuts 400 jobs in UK, France

By Christopher Parkes

ICI is to shed 400 workers and close down parts of its manufacturing plant in Britain and France in an attempt to improve the profitability of the dyes and colours operations within its organic division.

The 1,700-strong workforce at its main plant in Blackley, Manchester, will be cut by 100. A further 300 jobs will be lost at factories in Oissel, near Rouen, and St Clair du Rhône, south of Lyons which employ a total of 1,250.

Severance payments and the cost of closing down plant – mostly manufacturing simple commodity dyes for textiles and similar uses – will cost £26m, the company said yesterday. The aim is to reduce overall fixed costs in the division by about 15 per cent over the next three years.

No factories will close, the company emphasised. Use of factory space will in future be concentrated on the manufacture of more sophisticated colourings and fine chemicals for the electronics industry, pharmaceuticals and other speciality uses.

Production of some dyes will be transferred from France to works at Trafford Park, Manchester, and Huddersfield, Yorkshire. French factories will in future handle output of some chemicals now made in Yorkshire.

World overcapacity in colour chemicals is about 25 or 30 per cent, the company said. Prices had been under pressure since the mid-1970s as textile and simple dye production switched from the industrial world to developing countries.

New colour capacity in the Soviet Union, China, Taiwan, Korea and elsewhere had added to the pressure. ICI will continue to supply the full range of colours to all industries, the company said.

Last year the colours and speciality chemicals sector of ICI showed a profit of £14m on sales of £981m, compared with £10m on sales of £803m in 1983. The company said yesterday that things might become even tougher in some areas this year.

In last year's annual report, ICI said that difficulties in some textile dye markets were offsetting continued improvements in other products.

Ian Hargreaves finds a healthy North Sea oil industry 10 years on

Minister fetes Argyll anniversary

IT WAS a day of cakes and oil yesterday, as Britain celebrated 10 years of production from the bountiful North Sea.

On the deck of the Deepsea Pioneer platform in the Argyll field, Mr Alick Buchanan-Smith, Britain's well-bred Energy Minister, was on hand to say a few words. Ten years ago, when Britain's North Sea experience began, it was an aristocrat of a different political colour, Mr Tony Benn, who presided.

In Mr Benn's day, however, the political challenge lay in keeping foreign oil companies in their place by setting up an all-seeing state oil companies. Today, with the British National Oil Corporation reduced to rubble, the ministerial emphasis is upon Britain's entrepreneurial spirit. It was there really that yesterday's problems began. With the cake.

The whole affair had a shaky beginning, when the Department of Energy, a body not noted in the oil industry for its natural rate of velocity, decided late in the day that Mr Buchanan-Smith should take a birthday cake to the Deepsea Pioneer.

The cake was duly ordered, it seems, but the baker "let the department down."

PLANS to set up a company to trade North Sea crude on behalf of Britain's independent oil companies after the abolition of the British National Oil Corporation (BNOC) have been shelved for the moment as a result of hesitation by the companies concerned.

County Bank and stockbrokers Fielding, Newson-Smith, the promoters of the idea, announced yesterday – after soundings among 43 independent oil companies – that they would delay any further initiatives on the proposal.

But they said there might be scope for a so-called North Sea Oil Co-operative at a later stage. They would reconsider the idea as soon as sufficient demand materialised.

The co-operative idea emerged from the vacuum likely to be left by BNOC, which has hitherto taken and sold the production from the North Sea independents.

Ministers, however, were undefeated. They knew a small private baker recently set up in business who had fed guests at previous functions. The entrepreneurial spirit, never found wanting in a crisis, produced a cake, and a very remarkable cake, too.

A marzipan-coated replica of the Deepsea Pioneer itself, complete with helicopter and a candle on to of the derrick, it was duly loaded on to a real helicopter at Battersea heliport early yesterday morning.

But helicopters are bumpy in the best of weather, and by the time the sugar-coated Deepsea Pioneer arrived various bits were missing.

The oil platform's kitchen, which had dished up a magnificent luncheon of chicken kiev, steak chasseur, and pork holstein, was clearly equal to the task of reconstruction. So happily it proved.

That, then, was the cake drama, which leaves unanswered the critical Shakespearean question of whether or not there shall be more cakes and oil – a serious enough point as the Government ponders the awful prospect of depleting North Sea resources, which have added £42bn to the state coffers since Argyll came on stream.

The Chancellor will be glad to know that the news from the Argyll field is good.

When the field started production on June 11 1975, expectations were modest. Hamilton Brothers, the field's operator, felt that Argyll might yield between 10m and 25m barrels of oil. So far, 54m barrels have flowed and two smaller fields – Duncan and Innes – have been found alongside Argyll and share the mother platform's services.

Meanwhile, Argyll itself, which had started to look tired last year when output slumped to below 13,000 b/d, has surprised everyone with a new well, the 31st, which has found another pocket of oil capable of raising production to 18,000 b/d later this year. Stories like these make Opec ministers wish they had been born in Brazil.

"I am confident we shall be here in five years' time, producing from Argyll," says Mr Bob McAlister, managing director of Hamilton Brothers Oil and Gas. "If the oil price goes up, we might still be squeezing it ten years from now."

Squeezing oilfields is a profitable business, even at today's depressed prices. Hamilton's latest programme has cost £16m and will yield an additional 4.5m barrels of oil, which, at the company's investment assumption of $20 crude, means revenue over time of $90m.

All told, Hamilton now expects to recover about 40 per cent of Argyll's total reserve – a remarkably high figure. The company's official view, however, is that Argyll contains less than 5m barrels recoverable in total, which only goes to show how little attention anyone should pay to oil companies' reserve estimates.

"Argyll's geology is complicated. It is like a sloppy layer cake which turned brittle," says Mr McAlister.

It is a matter of some relief that he did not conceive that image of smashed confectionery in the presence of Mr Buchanan-Smith's personal staff.

As for Mr Ray Sclater, who was an electrician on the original Argyll platform back in June 1975, he, too, is confident that there will be more anniversaries. He works on shore now, in Hamilton's Aberdeen office, having ceded place to the electronics experts, who are increasingly needed on board oil platforms.

But he is happy enough at the idea that his two teenage sons should follow him into the offshore industry. "It is as secure an occupation as any other in Britain," he says.

Few citizens of the UK could take a different view. Nor will they begrudge the Argyll boys their slice of cake. Happy birthday, North Sea Oil.

BL and Honda get closer – but not too close

Kenneth Gooding on the deal for a new car

AUSTIN ROVER, BL's volume car subsidiary, will be strengthened considerably by further collaboration with Honda of Japan, according to Industry Minister Mr Norman Lamont.

But he made it clear the deal announced yesterday would alleviate only some of Austin Rover's difficulties and it would be a very long time before the company would be able to stand squarely on its own feet and be fit for return to the private sector.

"It will be quite some time before Austin Rover has an enduring record of profitability," said Mr Lamont, thus tacitly admitting that there is little chance of the BL subsidiary being privatised before the next general election.

The obvious question, therefore, is: If Honda is so good for Austin Rover, why stop at the deals agreed so far, why not tighten the bonds even further?

Mr Lamont shied away from answering directly. The collaborative process would be taken in easy stages to see how each one worked out, he insisted.

Would the UK Government like to see Honda take a shareholding in Austin Rover to cement the relationship? "No comment," said Mr Lamont. But he added: "Both companies – and the Government endorses this – want to retain their own distinctive identities."

It seems that, while the UK Government is highly enthusiastic about the close ties between Austin Rover and Honda, both companies still have major reservations.

But they are both deeply committed to the major element in the deal. Following the pattern of the joint project – which has resulted in an executive saloon to be launched by Honda in Japan later this year and by Austin Rover early in 1986 – the two companies are to jointly design and develop a medium-sized car.

In Austin Rover's case the model will replace the Maestro.

As is the intention for XX, the second model, code-named YY, will be produced by Austin Rover in Britain in two versions, one for sale by its own dealers and one for sale through the Honda network. Honda will reciprocate and make two versions in Japan, one for sale through Austin Rover's dealers in Japan, Australia and South East Asia.

The UK Government would like to see Austin Rover use up some of its surplus capacity by assembling other cars, apart from the joint venture vehicles, in Britain for Honda.

Honda will want to take this very gently at first. To start with it has a highlyprofitable car import business of its own in the UK and an equallyprofitable dealer network to protect.

The Honda dealers are in many respects set apart from the worst excesses of the new car market in the UK because Honda imports are limited by the gentlemen's agreement which limits total Japanese shipments to Britain.

However, Honda seems likely to agree to Austin Rover building some Ballade models at the Longbridge plant where the UK company already makes the Ballade under licence – and sells it as the Rover 200 series (formerly the Triumph Acclaim).

YY will give Austin Rover a second model suitable for sale through its new import company in the U.S. where it has gone into partnership with Mr Norman Braman, a well-known Florida car dealer. A network is already being set up for the time when XX goes on sale in the U.S. in 1987.

The Austin Rover and Honda versions of YY will outwardly look very different (as in the case with XX) and will compete against one another in the U.S. and Europe.

Two other proposals, which would bring Austin Rover and Honda closer together, have still to be finalised.

The investment by Honda would not be large – it could import the few panels necessary to make its version of the Ballade look different from the Rovers – and output would be 4,000 to 5,000 a year all for the UK market and starting next year.

Whether or not this level of production increases will depend on the way the market accepts British-built Honda cars.

In any event, the arrangement will not make much difference to Austin Rover's output which dropped to 391,000 last year from 458,000 in 1983. Total capacity at the company's Longbridge and Cowley assembly plants is about 750,000 and Austin Rover needs to produce at the rate of 650,000 a year if it is to generate all the money it needs for new investment.

THE MANAGEMENT PAGE: Small business

EDITED BY CHRISTOPHER LORENZ

David Willis: "The idea of equality of management is becoming untenable"

When equality begins to feel the strain

William Dawkins reports on Micrelec's growing pains

"THE TEAM that brought our company to where it is now is not necessarily the one that is needed to take it yonder. But how can one ask people who have worked every minute of the day to bring us to where we are to hand over their jobs?"

That is the dilemma facing David Willis, managing director of Micrelec, a Surrey-based maker of electronic information systems for petrol pumps.

In most respects, Micrelec looks like an entrepreneur's dream. It has grown swiftly since its formation in 1980 by three disillusioned executives from a failing petrol pump equipment group, found a classic niche in a market dominated by two or three large companies, and plans to join the Unlisted Securities Market within the next few years.

But its founding team is beginning to realise that if Micrelec is going to sustain its pace of growth — from annual sales of £150,000 to £1.2m with pre-tax profits up from £55,000 to £279,000 over the past five years — they have to face up to several uncomfortable questions about themselves. These are issues of great importance for the host of small businesses which find that the second stage of growth can be just as traumatic as getting started.

As Micrelec's sales expand and it takes on ever larger contracts (it is on the point of agreeing a substantial order from a U.S. owned oil group) its ability to his performance targets accurately gets more crucial. It needs an authoritative leader to ensure those targets are met — a marked contrast to the present management style, where the directors have an equal say in everything.

"Big companies feel far more comfortable dealing with other big companies, and if they can not, they certainly want a small supplier to have a big company structure," says Willis. "It is very difficult to accept that as we grow, the idea of equality of management is becoming untenable."

Linked to that problem is the question of how Micrelec's founders value themselves. They have always paid themselves equally — currently £29,000 annually — but their relative burdens of responsibility have diverged as the business has expanded.

That does not matter so long as they all agree with financial equality—they do but only just—but the system begins to creak when their salaries get way out of line with what they could earn elsewhere. Malcolm Dodd, the technical director, for instance, is earning about £10,000 less than he could get as an employee outside the business, while Paul Smith, the engineering director, is probably taking rather more than he could achieve outside.

Micrelec's policy of equality is coming under even more strain as the company begins to consider the need to recruit outside management. "We are all here more because of our technical competence than our managerial ability," says Willis. "In the not too distant future, we are going to need people to direct things like development, production, marketing and finance, so that we can get on with what we are best at."

Clearly, those recruits will have to be paid market rates. That could be a bitter pill for the current management to swallow—and one which might seriously erode their motivation. "If any one of us resigned now or didn't perform, our biggest customer's confidence in us would wither. That could be fatal in terms of negotiating for big deals," says Willis.

Micrelec's founders are a long way from finding the answers to these questions, and Willis freely admits that they have been the source of much heated argument in recent months. He and Dodd, however, are beginning to see that their interests as Micrelec shareholders in helping the company to prosper are more important to their eventual personal wealth than their ambitions as managers; a belief shared to a lesser extent by Smith and eofrrey Wheeler, the sales director.

But how did this complicated web of difficulty merge in the first place? Willis met his colleagues when he was seconded in 1978 from his job as a corporate planner in Shell UK to Datapod, a former supplier of petrol pump equipment to the oil group.

After a dispute with Datapod's founder over whether or not to sell part ofthe business to the then National Enterprise Board, Willis resigned from Datapod, taking Dodd and Smith with him. (Wheeler joined later, from a separate company.)

Datapod promptly went into receivership. Willis and the others managed to borrow £5,000 to buy the rights to its products — a controller for electro-mechanical pumps and a receipt printer for petrol stations — and set up shop in a disused bakery in Woking.

"It was really lean stuff," says Willis; Micelec could at that stage afford only one company car.

When one of the three employees (there are now 24) was bitten by a rat, the team decided it was time to move. Micrelec took over its present 5,000 sq ft office in West Byfleet early in 1982 on a very thin order book, but helped by the fact that Willis's services were salary-free since he was still employed by Shell.

A year later, it was becoming clear that Micrelec would suffer badly if Willis ever returned to his employer, so Shell agreed to end his contract. he approached the City for cash — eventually selling 40 per cent of the equity to the venture capital group Thompson Clive and Partners for £180,000—to fund the launch of Micrelec's next products.

These were an invoice printer, a pump control system, and an electronic box designed to upgrade the quality of information collected by petrol pumps, diagnose faults and cut off fuel when faults emerge. They were all, in different ways, designed to fill market niches overlooked or ignored by larger competitors.

The Micreline electronic box, for instance, can be plugged into the face of the UK's most popular petrol pump, the Highline One, made by Gilbarco, an Exxon subsidiary which accounts for about half of the pump market. The only alternative for filling station owners who want to upgrade their pumps is to buy a whole new machine, costing £4,500 against £1,000 for Micrelec's gadget.

Potential leadership problems first began to surface when the new products hit delays in getting approval from the Department of Trade and Industry's Health and Safety Executive. "I found myself having to defend my co-directors to Thompson Clive, who were getting impatient over the delay, when I really should have been chasing them," says Willis.

He looked for a solution in the shape of Peter Beck, his old boss at Shell, whom he asked to become non-executive chairman. The idea was to attract some experience, but more importantly to reinforce Willis' authority as managing director by forcing him to answer to a figure more senior than himself. "I needed to report and be accountable for the activities of my co-directors to the shareholders, as represented by the chairman. We needed a boss."

Yet Beck's appointment only went halfway to solving Micrelec's management dilemma. Indeed Beck might even have intensified it. Late last year, Willis played an important part in licensing Micreline to Gilbarco in return for a £160 fee for each unit sold — a significant deal for Micrelec in view of the 1,200 Micreline boxes that Gilbarco plans to make this year.

It was partly on the strength of that achievement that Beck and Thompson Clive recommended salary increases for Willis and Dodd — who devised Micreline — but not for Wheeler and Smith. "Their reaction was fairly devastating," says Willis. "It changed the whole nature of the relationship between us."

Wheeler and Smith both threatened to resign, only relenting when the others agreed once again to split the salary bill equally between the four.

The acrimony has since evaporated, and to an outside observer Micrelec appears an unusually happy and democratically run ship. But the same issue — and all the leadership questions it carries with it — will inevitably crop up again when salaries are next reviewed in April 1986. In the meantime, says Willis, "I can only hope that we will bumble on being motivated and doing our jobs."

Dodd, the least easily replaceable member of the team because of his software writing skills, is at any rate taking a philosophical view. "Of course I could earn more as an employee elsewhere," he says. "But would I be a shareholder? If I stay here and we go to the USM, I could become a millionaire in a few years' time."

U.S. venture capital

Slowdown signals 'good health'

THE extent of the slowdown experienced by the U.S. venture capital industry last year is revealed in a recently published survey.

The number of venture-backed companies to make public share offerings more than halved in 1984 from 121 to 54, according to the latest issue of the U.S. Venture Capital Journal. Meanwhile, the cash committed to venture capital investment groups slipped from \$4.5bn (£3.5bn) to \$4.2bn after having grown by 60 per cent in the previous 12 months.

The amount they invested rose slightly, albeit at a much slower pace, up from \$2.8bn to \$3bn, which compares with a 60 per cent increase in 1983.

These figures may look depressing for entrepreneurs seeking to raise cash, but the journal maintains that they are a sign of good health for venture capitalists. In 1983, says the journal, "money was easy to raise, and too much was invested too fast in too many similar businesses by too few human resources." The slowdown, which is predicted to last for "several years' represents a more manageable and sustainable pace of growth, the study argues.

Computer and electronics related businesses attracted 52 per cent of the total invested last year, down slightly from 56 per cent in 1983. but still a much higher proportion than their UK counterparts, which accounted for 35 per cent of British venture capital investment in 1984.

Companies which had yet to start commercial production attracted 35 per cent of the total, as against 52 per cent for later stage financing and 13 per cent for management buy-outs and other kinds of deals.

Meanwhile, the number of follow-on financings rose in 1984 as an increasing number of venture-backed businesses returned to their funders for more. Just over 62 per cent of the number of investments last year were in companies which had already received venture capital, as against 57 per cent in 1983.

What are the chances of a similar swing taking place in the UK venture capital industry? Ronald Cohen, chairman of the British Venture Capital Association, believes they are slight.

"We have not had as big an upturn here as in the U.S., so we are unlikely to have as big a swing in the opposite direction," he maintains. Cohen expects valuations of high technology venture supported businesses to decline this year, in line with their publicly quoted counterparts. If that happens, and if prices in the private venture capital industry get more reasonable, he argues, the flow of investment could actually increase.

William Dawkins

In brief . . .

ACCOUNTANTS Binder Hamlyn are offering to help small businessmen who are confused by the 220 financial support training and consultancy schemes available from the UK Government and the European Community.

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●

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Although labelled a venture fund, the investments are likely to be in management buy-outs or companies in their second phase of development. The fund managers do not plan to participate in the management of the companies in which they take equity.

●

BRIAN WARNES, author of The Genghis Khan Guide to Business, which advises managers to think like barrow boys, today brings out a sequel, The Cash Flow Handbook.

The Genghis Khan Guide praised the business sense of a fictional barrow boy, who could afford a Rolls-Royce and an annual holiday in the Caribbean because he understood the importance of gross margin and cash flow.

Warnes' latest offering applies these principles to two anonymous case studies—a manufacturing company and a service business—drawn from his experience as a "company doctor" and later as managing director of Midland Bank Venture Capital.

Unlike the Genghis Khan Guide, this is no easy road—but then it is not supposed to be. Warnes calls it a "valuable self-test" in understanding "the issues that lie at the heart of running a succesful business."

The reader is taken line by line through each company's annual accounts and given full explanations for apparently uncontrollable fluctuations in key ratios, like the break-even point (the point at which turnover covers costs), ideally picking up lessons which can be applied to his or her own company.

Like its predecessor, The Cash Flow Handbook is refreshingly direct and practical. A patient reader should find it extremely rewarding.

The book costs £9.95 for 72 pages from Osmosis Publications, 8 Holyrood St, London SE1 2EL.

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THE LEGAL PROFESSION

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TECHNOLOGY

EDITED BY ALAN CANE

Real-time computers take a step forward

THE USE of computers to deal with events as they happen and produce immediate actions or information has been taken a step further by Gould Electronics with a system called Sci-Clone 32.

Such machines are said to work in "real time" since there is virtually no delay between a demand on the computer and the result it produces.

In a flight simulator for example, movement of the control column by the pilot must result in immediate changes to the computer-generated picture of his surroundings seen through the windscreen. It must also alter the readings on the instruments and impart appropriate motions to the cockpit capsule via hydraulic actuators.

Gould already has a big share of computer sales to the world's simulator manufacturers. It claims 90 per cent of the civil flight simulator market and 50 per cent of the military.

But because very large amounts of data are involved, the computer must have high capacity and very high speed, and is therefore expensive.

Gould claims it can keep the cost down, particularly if more computing power has to be added as the application grows, by using several specially interconnected computers instead of one big machine.

The company uses a number of its fast real time minicomputers connected by a high speed network. Each computer usually has a specific group of tasks allocated to it. For example, in a simulator one might deal with cockpit motion, another with visuals, a third with instruments. In action however, the system works like a single computer but with few of the disadvantages.

Every minicomputer in the network holds a copy of the database — the information the system draws upon for its caclulations — so there is no chance of delay while a number of computers queue up either to update a single database or extract data from it.

In Sci-Clone 32, each of the databases is kept updated by a "reflective memory system." Changes in incoming data to one of the computers yields new calculated results that are immediately sent oved the network to all the other memories

GEOFFREY CHARLISH

Car makers fume at EEC muddle on exhaust controls

John Griffiths on the row over the Commission's proposals to curb pollution

EEC ENVIRONMENT Ministers are now set firmly on a renewed collision course over car exhaust emission standards. This follows the announcement of proposed standards by the EEC Commission which the UK's minister, Mr William Waldegrave, and his French and Italian counterparts insist undermines the substance of an agreement thrashed out by the ministers themselves during 17 hours of testy negotiations in March. A major new dimension has been added to the issue by the motor industry itself, including that of West Germany, in telling Brussels that the Commission's proposals are unrealistic.

The effect of the proposals, put forward earlier this month, is to inject a major new uncertainty into whether the European industry can proceed with developing suitable "lean-burn" engine alternatives to the three-way catalytic converter chosen by the U.S. and Japan as the solution to pollution by cars. The implications for the industry are enormous: they affect fundamentally the nature of engine development to the end of the century.

The Ministers agreed a timetable to introduce stiffer anti-pollution standards, but left the precise standards to be worked out at technical level for announcement by the end of this month. They were to be within a framework such that they would be similar in their environmental impact to U.S. standards, after adjusting for different driving test cycles, but would still allow manufacturers to develop the lean-burn alternative, at least for cars below 2 litres.

(It was accepted that for cars of over 2 litres, there was little option but to adopt 3-way "cats.")

For the UK, France and Italy, the Ministerial agreement appeared as a partial victory—it was far removed from the original West German threat that would require all cars sold in West Germany to be fitted with catalysers from 1986.

But the Commission's proposed standards, announced earlier this month—and which Ministers can, and some certainly will, reject—rule out anything but the most sophisticated of lean-burn units, which would be no cheaper than 3-way catalyst equipped cars and which, in any case, manufacturers could have great difficulty bringing into production on the Ministers' own timescale.

The Commission has suggested a maximum permissible level for nitrogen oxides—the most damaging pollutant—of

Carl Hahm: U-turn by VW on converters

William Waldegrave: Undermined

3.5 grammes per test for over-2 litre cars, 4.0 for cars between 1.4 and 2 litres, and 6.0 for smaller cars.

There is little disagreement over the last category. But Bonn wanted a ceiling of 2.5 grammes for large and medium cars, whereas the UK, French and Italian politicians wanted 4-5 grammes for large and 5-6 for medium cars. Now the whole European industry is arguing that at least 5 grammes should be allowed for each category.

The differences may not sound much—but in technology terms they are crucial. And while they remain unresolved, the industry—much of which is already making substantial losses—will continue in the already long-lasting limbo which has required it to develop, expensively, catalyst and lean-burn technology in parallel.

There are two problems with the Commission's proposals. One, relating to cars of more than two litres, concerns the methods of matching EEC standards to those of the U.S. On this, Italy France and the UK are at odds with West Germany, arguing that the Commission has translated the U.S. tests in a way that 25 per cent of cars which currently pass the tests would fail. Jaguar, for example, would have to re-engineer its current models.

The other problem concerns medium-sized cars, which account for half European sales. Ministers wanted standards set that would allow use of relatively simple cheap lean burn engines which add no more than £150 to a car's cost. But the Commission's proposed standards are more demanding, and would require a sophisticated lean burn engine costing an extra £400 to £800—as much as the catlytic converter.

Such engines exist. But—with the exception of one Japanese unit, from Toyota, which is already in production in the Carina salon (thus raising fears about further exposing Europe's market to Japanese inroads)—they are all at prototype stage.

The prospect of having to take the catalyst route is proclaimed to be of deep concern to volume manufacturers like Fiat, Renault and Austin Rover.

One reason is that much of their production is of small and medium cars, where the costs of full three-way catalyst systems would add substantially to purchase price (Austin Rover claims that if UK motorists were forced to buy catalyst cars, it would add £2.5bn a year to costs). Another is that most of thei rcars in these sectors were designed for European markets, with catalysts not envisaged as a factor—unlike Volkswagen, for example, whose Golf is also produced in the U.S. Now even Volkswagen, which publicly has tended to support catalysts, appears to have lined up with the non-German industry, given the signature of Dr Carl Hahm, its president, on the Euro industry's submission to Brussels.

The Ministers are to review the issue again on June 24-25. If they reach impasse, the entire issue could land in the laps of Prime Ministers at their end-of-June summit. That is a prospect relished by neither side—a hurried compromise, reached as an afterthought to main summit business, could, it is feared, be the worst of all outcomes.

Lean burn engine versus the three-way catalytic converter

Why is the "lean-burn" such a seemingly elusive goal?

The concept is straightforward enough: traditionally, engines have run on air/fuel ratios of about 14.5:1 the chemically correct (stoichiometric) ration for optimum performance. Emissions of nitrogen oxide and hydrocarbons, however, are high, particularly under full-load acceleration. But emissions fall very rapidly the air/fuel ratio is increased, and at 22:1 would effectively meet U.S. standards. With that ratio would go a fuel consumption improvement of about 10 per cent, another reason for using the technology.

But attempts to improve the ratio past 18:1 have mostly been confounded because the combustion flame is cooled more quickly by the extra air. The flame also has difficulty finding the fewer number of fuel droplets. Result: incomplete combustion, misfiring adn increased, rather than decreased, pollution.

The trick is to stir the leaner mix vigorously just prior to the ignition spark, thus promoting faster burning and more complete combustion. The snag is precisely how to do it. There are three principal ways: to shape the inlet ports to promote swirl (a technique already used on direct injection diesels), to create a "fence" near the inlet valve to encourage tangential swirl, or specially to shape the combustion chamber, making it smaller than the cylinder bore to create a "squish" effect—roughly the reverse of what happens to the water when a child stamps in a puddle.

None of these approaches, however, has the desired effect in isolation—and the possible combinations of designs, even for a single engine type, are almost countless. Until the arival of computer-aided design five years ago, the industry could have, indeed did, spent fruitless years actually having to build some promising combinations on a purely trial basis—it was one of the blackest of the industry's arts.

Thanks to CAD, manufacturers now have a very good idea of how to go about the process. Indeed, later this year Ford, for one, hopes to launch a lean-burn engine for its Escort/Orion ranges which should start to approach the strictre limits envisaged. But there is no such thing as a one-off solution—every single range produced by every manufacturer needs its own, unique solution. And it is primarily for that reason, together with concern about available resources, which makes them anxious about their ability to meet the targets.

Even with the most refined lean-burn engines currently forseeable, however, there is no prospect of their meeting the strictest standards on their own. They will need the exidation catalyst totake care of hydrocarbons—but such catalysts are aso far simpler and cheaper tha nthe complex U.S. catalysts.

The other main proclaimed advantages for lean-burn are that there is none of thepower or fuel economy loss associated with the use of catalysers on cars in the U.S., and that the technology is "self-regulating" if anything goes wrong with the engine, the driver immediately knows all about it (a malfunctioning catalyst is undetectable).

The "cheaper" lean burn unit, however, really is possible only if the Commission's standards are relaxed, acknowledge Dr Eberhard Seiffert, director of research at Volkswagen. If they are not, he says, then even if the industry rushed full tilt at more sophisticated units, their chances of meeting the Ministers' timetable — all the standards would be fully effective by 1994 — would be sufficiently remote for "catalaysers to remain the most sensible solution," even though VW itself is "far advanced" with alternative technologies.

Relaxation clearly is now the most favoured course in the industry, even if anathema to the West German government itsefl. But should Bonn hold sway, the catalyst itself needs putting into perspective. It is costing — £400-£600 per car — but final consumption and power loss disadvantages are not as significant as frequently portrayed.

Indeed, within the past two weeks VW has unveiled its new 16-valve Golf GTi model, in both conventional and catalyser forms. The conventional version has 139 brake-horsepower, the catalyser version only 10 bhp less.

Fuel consumption is also slightly higher. But, points out Dr Seiffert, the "cat" Golf currently runs on the 91 octane fuel which is the only type currently available in unleaded form (catalyst-equipped cars have to use unleaded petrol, as lead wrecks catalysts within a few hundred miles) against 98 octane leaded fuel for the "conventional" Golf.

And Mr Rob Searles, sales and marketing director of Johnson Matthey's auto catalysts division, which supplies the bulk of catalyst equipment in all present vehicle markets, insists that when—as has already been agreed at EEC level—unleaded fuel of 95 octane is made available throughout the Community by 1989, the fuel consumption and power disadvantage will be decreased to negligible levels.

Sharp fall in new micro suppliers

THE RATE at which new suppliers of microcomputer products are entering the UK market has fallen sharply, especially in software, according to the National Computing Centre.

There were 1,083 software suppliers in June 1985, only 17 per cent up on the total of 925 a year ago. Some 240 suppliers came into the market in the first five months of 1984 while in the same period this year there were only 158.

At the same time, the number of failures has increased, from 40 in 1984 to 67 this year.

The survey, which covers more than 10,000 products, packages and courses available on the UK market, shows that just under 2,800 or 27.5 per cent have been launched or revised with new features in the past three months. When products withdrawn from the market are included, there had been 1,000 product changes a month notified to the NCC.

It comments: "The prime reason for the high rate of change appears to be that suppliers are more concerned to improve the competitiveness of existing products by price and feature improvements, than spread their efforts over a wide range of products."

A similar pattern was detected for hardware. In single-user systems, both hardware and software show a clear trend towards IBM compatibility, but, the NCC says: "The multi-user race remains wide open with Unix unable to shake off a clear challenge from Digital Research's Concurrent CP/M.

"The British operating system BOS is still firmly in the running and possibly even leading, if one uses a strict definition of live multi-user applications."

The report costs £25 from NCC on 01-353 0011.

THE ARTS

Painting/William Packer

Masterpieces set in domestic intimacy

Two years ago Baron Thyssen-Bornemisza, who last autumn lent a substantial portion of his extraordinary collection of modern paintings to the Royal Academy, was party to an exchange of exhibitions with Russian museums which was so successful that now he is repeating the exercise with two of the most important museums in Hungary—the Museum of Fine Arts, with its major European collections, and the Hungarian National Gallery, which concentrates upon the national school.

Thirty-one major paintings from the one, 16 from the other are therefore now on show in the private apartments of the Baron's Villa Favorita at Lugano, which have been discreetly adapted for the event to leave his own collection of old masters undisturbed for the moment and available to public view in the permanent galleries upstairs. The arrangement continues until October 15 (closed only on Mondays) whereupon, in return, 47 of the Baron's choicest old master and modern paintings are to go on show first in Budapest and then in Szombathely.

It is a double lure, therefore, which draws us to Lugano this summer: the chance to see a large part of one of the world's great private collections along with a most powerful and stimulating miscellany from public collections that for most of us are likely to remain rather less accessible. Either way there are wonderful things to see; and on the principle that one should never pass up a good thing, and with no trip to Hungary immediately in prospect, the miscellaneous aperitif does very well as a meal in itself.

There is a rough and somewhat back-to-front chronology to the hang of this special show, with a group of Hungarian paintings of the 19th and early 20th centuries disposed about the entrance lobby, and the room furthest into the exhibition given over to unattributable devotional paintings of the 15th century that with some vigour and great charm declare both earlier Italian and more nearly contemporary Flemish influences.

From that far point we move back through some of the principal European schools and a sequence of small rooms and ante-rooms—the last, which is to say the first long passage, hung with early German portraits from the Thyssen collection, to confuse the issue just a little — with nothing crowded on the walls, and the remaining furniture and the fresh flowers lending the entire installation a most engaging domestic ease and intimacy. Thus, if only for the moment of experience, each several masterpiece becomes rather more our own, uninstitutional, uninsulated, accessible. Great art was made to be lived with, and for a moment in the imagination we may do just that.

The criteria for their selection are evidently those of quality and variety, for there is no theme established, no high scholarly argument to sustain, but only particular works to celebrate and a wider scope to indicate. We come upon a clutch of Spanish paintings: an early Velasquez of a peasant breakfast a full length St Andrew by Zurbaran, a large half-length group by El Greco of the Disrobing of Christ, so free and active in its handling and composition, and a magnificent portarit, Senõra Bermúdez, by Goya in which an 18th century delicacy and finesse masks a freedom and attack in the handling that is almost modern.

So we go on, and I shall give no full catalogue but only an arbitrary personal list: two small views of Florence and a large, later and a much more characteristic and ambitious painting of the Kaunitz Palace and its gardens in Vienna, which is also a conversation piece of the Prince Kaunitz-Rietberg and his attendants, by Bernardo Bellotto, who even now is far too much overshadowed in reputation by his uncle, Canaletto. And facing it is again a most characteristic work, this by Artemisia Gentileschi, the painter daughter of Orazio and now become prophet of feminism for her obsessive preoccupation with images of the revenge of women upon men, of the murder of Sisera the Canaanite by Jael the wife of Heber, who drove a nail through his temple while he slept. But grim as the story is, the painting is oddly gentle, and Jael's left arm is as fine a study as one could wish for.

Any painting attributed to Giorgione is remarkable for the claim alone, all the more so should it be set, as is the portrait here, at about the time of his death in 1510. Certainly it is a lovely thing, the young man with eyes downcast and hand to heart a shade idealised perhaps but clearly done from life and entirely, touchingly convincing in his immediate presence. So too is what is perhaps the most seductive work in the show, the Domenico Fetti of a century or so later of a young girl asleep, her head and shoulders only, head tilted slightly into the light and resting gently on her folded arms.

Ricci, Tiepolo, Cranach, Durer, a most handsome and virible old man by Rubens, and another fine young man by Frans Hals, a little more solid and restrained than usual, but only a little and quite as clever and easy, so deceptively easy with the paint as ever. The working of the white gloved hand that rests upon the hip is a small miracle.

So on into the 19th century and a handful of French and German pictures, amongst them an exceptional Boudin that is both characteristic and unsual of the beach at Portrieux, a team of working horses on the sand, the back streets of the town in shadow, and the low hills beyond. The Monet too is rather a surprise, a work of 1886 of fishing boats drawn up on the beath and seen from above and to one side, rather like Van Gogh, all done with great painterly panache and graphic speed.

Last come the later Hungarians, good academic painters and minor impressionists but quite unknown outside their own country though all had studied and worked abroad, most of them in Paris or Munich. Every country has just such a national school that always repays the searching out, the work honest and interesting and so often better than critical orthodoxy would allow. Here the somewhat pre-Raphaelite lady sitting on a meadow bank, by Szinyei Merse, is very charming; and the rather later and very Whistlerian lady in her long black, white-dotted dress, by Rippl-Ronai, is very good.

Altogether this is indeed an admirable miscellany, and by it we do well to remember that far from being something to excuse, the quality of miscellaneity should always be savoured and enjoyed. For it is of the essence of any collection, however intended, that before it can ever grow to be definitive or even representative, it must first be miscellaneous. It can only begin by taking in what it can to make the best of itself, the creature much more of opportunity and particular discrimination than any intention.

Upstairs, gained on the same ticket, is the demonstration, several hundred assorted treasures brought together by the present Baron and his father before him. Great strengths have been developed and particular interests followed, yet the scope remains generous and open, affording all kinds of pleasure and surprise: Watteau's Pierrot Content and a Velasquez study of the Queen of Spain, a late Titian of St Jerome and Rembrandt himself in middle age, Raphael, Piero, Rubens, Van Dyck, El Greco, Chardin, Bellini, Carpaccio, a room full of Cranach: so many things.

My visit to Lugano was made possible by the kindness of Swissair, Crossair and the Lugano Tourist Office; and through the Tourist Office a special three-day excursion is available during the run of the exhibition.

Goya's magnificent portrait, Senõra Bermúdez

In Praise of Rattigan/Aldwych

B. A. Young

There is less praise of Rattigan today than there should be, and Jack Tinker and Martin Tickner demonstrate in their skilfully-compiled anthology just how effective his plays can be. Skilfully, because they have chosen extracts from 12 plays without relying too much on nostalgia.

Sir Robert's cross-examination of Ronnie Winslow in *The Winslow Boy* worked on its own terms, without reference to the rest of the play, or to Emlyn Williams's playing of Sir Robert at the first production. Laughs began at about the third line of the evening, and not at "*Elle a des idées au-dessus de sa gare,*" but at the exchanges between the Gosports in *Harlequinade*, much less often seen.

The performance was done as a rehearsed reading, but the four players—Robin Bailey, Christopher Casenove, Judi Dench and Denis Quilley, in alphabetical order — ensure first-class playing in every emotional aspect. There is farcical comedy from *French Without Tears* (an ingenious collage giving some idea of the variety of moods and characters in the play), and from *While the Sun Shines*, with Mr Quilley as the Duke of Ayr and Stirling arguing over the settlement for his daughter's marriage. There is real pathos in the scene from *The Browning Version* where the boy Taplow gives a leaving present to the unpopular master Crocker-Harris (Mr Bailey), and cheap pathos where Mr Bailey reads the farewell letter from the Polish pilot in the over-rated *Flare Path*.

There is genuine tragedy at the crucial moment in *The Deep Blue Sea* where Hester (Judi Dench) beseeches Freddie not to leave her, and, in a quite different guise, where the bogus major torpedoes himself by the careless answers he makes to his fellow-guest's chat in *Separate Tables*. The visible distress of Miss Dench's Hester is beautifully contrasted with the suppressed sadness of her Lydia in *In Praise of Love*. Two unfamiliar bits well worth their place were the first meeting of the boy in *Love in Idleness* with his mother's lover, and the encounter of the professional cricketer's son with the cricket-loving poet in the television play *The Final Test*. (I wish we could have heard some of the mad verse that Paul Dehn Messrs Tinker and Tickner, who sound like a circus duo, have enough sense to see that Rattigan did not always hit the bull, or even the inner. They give us nothing from *Hand and Boy*, for instance, or *Variation on a Theme, Who is Sylvia?* or *Cause Célèbre*, and I doubt if we are much the poorer. *Adventure Story* would have been hard to include; without their Grecian garments, Alexander and his lot would have been indistinguishable from officers of World War 2. I suppose a similar thought kept them off T. E. Lawrence in *Ross*. I hear, though, that we shall be seeing this again soon, and, equally welcome, a new production of *Love in Idleness*, played and partly re-plotted by the Lunts during the war, but never seen since as far as I know.

It would be good to think that this one-night production was a sign of revived interest in Rattigan. The BBC repeated their production of *The Deep Blue Sea* lately, and I went to see that last week at the Connaught Theatre, Worthing. As a performance it was handicapped by the chance that George Pensotti as Sir William Collyer and Martin Potter as Freddie looked about the same age and not much contrasted in personality, but Helen Ryan had the true feel for Hester. She too made her best effect where she pursues Freddie offstage, calling "You must stay tonight!" and certain that if he does not come back she will repeat her suicide attempt in front of the gas-fire. Of the others, I liked best Alan Brown as the struck-off doctor Miller. Ian Watt-Smith directed.

Rattigan was written off by the clever young people in the middle 1950s, when a new wave of playwrights brought a new style of plays, that appeared socially more important. It seems to me that Rattigan, at his best, has more staying-power than most of those. At the Worthing theatre the house was only moderately well attended on the night I went, and mostly by mature people. At the Aldwych on Sunday, though, the house was pretty full, and around me the middle-aged and upward were well refreshed with younger people. Moreover, there was a good number of theatre people there. It would be nice to think that they realised how much they had been missing and felt some impulse to add their contributions.

Flowers of the Forest/Birmingham

Clement Crisp

David Bintley newest work for the Sadler's Wells Royal Ballet is *Flowers of the Forest*, given its first performance in Birmingham at the end of last week. Subtitled "Two Scottish Ballets," it offers contrasting, if ultimately linked, views of disparate scores: Malcolm Arnold's beerily jocular Four Scottish Dances and Benjamin Britten's Scottish Ballad for two pianos and orchestra.

The ballet underlines the vivid contrast between the superficial, touristic manner of Arnold's invented melodies, which Bintley treats in lightest fashion (the choreography is a revision of dances made six years ago) and Britten's more serious and dense adaptation of Scottish airs, in which a grandly dressed ensemble might relate to the heroes of Flodden and their womenfolk, who are the subject of the lament that gives the ballet its name.

It is well not to inquire too closely into themes in what is, in effect, a Scottish divertissement. The Four Scottish Dances are for a sextet led by Margaret Barbieri and Alain Dubreuil, to whom falls the gentle pas de deux of the third dance, while the sparkling quartet of Karen Donovan, Sandra Madgwick, Graham Lustig and Michael O'Hare nips and tucks through the lively writing of the other dances, with a neat joke in the second movement when the two men are tipsy suitors to the girls. It is good fun, and brought off with a sure touch by Bintley and his dancers.

The imaginative decoration for the work is by Jan Blake, about whom the programme is uncommunicative. (How different Covent Garden's treatment of an American "abstract expressionist" whose tiresome designs were lately seen. Then the Opera House bombarded the Press with a thumping packet of laudatory xeroxes.)

Miss Blake has made a set suggestive of autumnal banks and braes which echo the colour and patterning of the cast's tartan dress. For the Britten Ballad, her costumes are variants on formal Highland wear, well suited to the more noble style of the choreography. Roland Price appears first in a bravura classic variation, handsomely danced, and he is joined by Marion Tait in a sorrowful duet. The generally elegiac mood thus established is interspersed with entries for six men and six women, with impressive soaring diagonals for the men, in which Iain Webb and Russell Maliphant are especially high-flying.

A lightening of the music's mood unites the cast of both sections in a general dance marked by abundant energy and hints of strathspeys and reels.

Imaginary Lines/Scarborough

Michael Coveney

The generally acclaimed new Alan Ayckbourn play, *Woman in Mind*, has been joined in the repertoire of the Stephen Joseph in Scarborough by Ayckbourn's own production of R. R. Oliver's modestly amusing *Imaginary Lines*. Mr Oliver, an actor recently in the Scarborough company, tells us that he has written 20 or so plays. It is not difficult to see what exactly he has gained from the experience: an ear for dialogue and a good sense of construction.

The predominant technical device here is of allowing characters to come up with alternative replays of what actually happened. Chief fantasist is the heavy-going, humourless Wanda who Lesley Meade invests with a page-boy haircut and a not unattractive nasal, almost adenoidal, twang. In a lively opening 20 minutes, she arrives home in Hampstead after a party in Fulham accompanied by Howard (Russell Dixon), a second-hand bookseller in a barathea blazer. They each indulge in an idealised seduction scene, but all that happens in effect is that the coffee gets cold while Howard, in vain, warms up.

Wanda fondles a phallic African statue in between informing us that she is a divorced illustrator of children's books that are published by another admirer, a Tory MP who has not slept with his wife for nine years. Moving to Howard's bookshop, we meet an eccentric old crone in a plastic hat, Olga Burlap (Ursula Jones) who writes Wanda's texts in the Billy Bear series and who once met Virginia Woolf.

Thanks to Ayckbourn's detailed and controlled direction, there are a few blissful comic moments, especially in the sequence where the MP, Sir Michael Thurston (Geoffrey Banks) tries to plant the idea of a dirty week-end in his Gloucestershire cottage.

Wanda's irritating determination to live for others leads her to investigate mystical literature and to join the Catholic church. Miss Meade litters her winsome speeches and piously glazed expressions with a fetching battery of sighs and miaows, finally appearing, transfigured as a nun (Our Lady of Frognal?) above the bookshop. This strong comic ending is neatly capped by Miss Stoney's blankly terse confession that she was a nun once.

This is a good, promising play in the Ayckbourn style that is only spoiled by some flaccid, unfunny writing for the literary crone and, more seriously, by a gaping lack of psychological conviction in the portrait of Wanda.

Amid the Standing Corn/Soho Poly

Martin Hoyle

Carole Hayman's production for Soho Poly is the offshoot of a Joint Stock enterprise originally researched and put together in Barnsley. The author, Jane Thornton, co-wrote *Shakers* with Jon Godber for Hull Truck: a reputable, indeed respectable, pedigree.

Perhaps too respectable. There is such a thing as being too fair; and the scrupulous avoidance of bitterness in this study of miners' wives organising support for their menfolk's strike in the recent conflict results in a certain blandness.

Though police brutality is mentioned *en passant*, almost taken for granted, the policemen here represented are no more than obtuse, overbearing and at worst mindlessly bossy. Similarly there is no mention of the violence directed at working miners or the terrorising of their families. In short, little indication is given of the savagery on both sides that traumatised the nation and led to the harsh climate where miners could stand in the dock on a charge of murder. And the final battle-cry, given to the tardy convert, May, as she addresses a London rally with "We shall not be defeated — not now, not ever again," has the hollow ring not of dramatic irony but simply of yesterday's news in need of updating and revision.

The character of May provides the play's one clearly discernible thread since each of the likeable all-woman cast of four takes several parts, including the male roles. Often this leads to confusion as an actress, in the portrayal of this closely-knit community, can play another's aunt and boyfriend besides (scarcely distinguishable) outsiders.

The general lovableness leads to skating over issues. The opening sound of Arthur Scargill's voice championing democracy might prompt Miss Prism to broaden her definition of fiction. And the author's freedom from overt militancy stems less from impartiality—no reason why it should—than the calm assumption of incontrovertible rightness. Conversions to the cause are discussed in tones usually reserved for finding religion or the loss of virginity. If only conviction were matched by theatrical passion!

All praise—some verbal fluffs and slowness on cues apart—to the company who between them deal with nearly 20 characters on and off stage. Janet Legge, sole survivor of the original production, is joined by the uniformly excellent Tracie Bennett (freed from *Coronation Street*), Rita May and Maggie McCarthy: sometimes funny, sometimes touching, somehow incomplete and curiously antiseptic.

Almeida Festival/Islington

David Murray

The Almeida festival in Islington, devoted in large part to modern American music, continues apace. The whole atmosphere of the scene is attractive; at the moment, it is the liveliest musical place in London.

Two concerts on Saturday (among several: the Almeida programme is sensationally crammed) introduced music by John Cage, Roger Reynolds and the suddenly famous Conlon Nancarrow, who has re-invented the player piano for advanced musical purposes. Cage and Reynolds were played by the excellent Circle ensemble; Nancarow appeared in person as well as in an audio-visual documentary, and his music was represented on tape — his player pianos are lodged firmly in Mexico, and there are no substitutes.

The two Cage pieces were friendly and scatty, as usual, and evidently fun for the players. In Variations II (with *A Dip in the Lake, Ten Quicksteps, Sixty-One Waltzes and Fifty-Six Marches for London and vicinity*) musical fragments are sketched against a continuous recitation of London street-addresses; *Music For . . .*, in its gentle meditative way, sounded almost purposeful. In Reynold's *From Behind the Unreasoning Mask* a solo trombone revolved continuously among percussion and loudspeakers, baying, whimpering and declaiming against a formidable background: theatrically effective, musically loose. His *Shadowed Narrative* was more interesting, with instrumental soloists taking up an elaborate "narrative" burden by turns, "shadowed" by echoes and comments from the other players.

Nancarrow is a bracing figure, cheerfully devoted to realising extraordinary sound-patterns on the player piano that no human performers could begin to manage. His *Studies*—there is a long series of them, still growing—are weirdly lucid, and very exciting. They are certainly music for the ear, however complicated the calculations that go into them. As in *pointilliste* painting, the fantastic flow of small notes often conjures up larger, bolder shapes with a spectral lasergram quality; and the rhythmic energy is colossal.

Arts Guide

June 14–20

Opera and Ballet

ITALY

Turin: Teatro Regio: Lyons Opera Production of Mozart's Magic Flute conducted by Miklos Erdelyi (548.000).

Florence: (Maggio Musicale Fiorentino): Teatro Della Pergola: Adriano in Siria and Livietta a Tracolo by Pergolesi, conducted by Marcello Panni and directed by Roberto de Simone, with Eleonora Jankovic, Daniela Dessi, Ezio di Cesare, Cecilia Gasdia and Silvano Paglinca (27.79.236)

Naples: Teatro di San Carlo: The Ballet Romeo and Juliet (music by Prokofiev) danced by Carla Fracci and Gheorghe Iancu with the soloists and corps de ballet of the San Carlo Company. (41.82.66)

PARIS

Ballet Antonio Gades: Carmen et Suite Flamenca. Palais Des Congres (7582701)

TOKYO

Prague National Opera: Orchestra, Chorus and Ballet of National Theatre, Prague, conducted by Zdeněk Košler; produced by Vaclav Kašlik. Don Giovanni. Tokyo Bunka Kaiken. (Mon) (2627141; 5711689).

NEW YORK

New York City Ballet (New York State Theatre): A new ballet by Jerome Robbins joins Balanchine and Robbins favourities including A Midsummer Night's Dream, Firebird, La Valse and Apollo in the company's two month season. Ends June 23. Lincoln Center (8705570).

LONDON

English National Opera, Coliseum: the ENO gives this week the British premiere of Philip Glass's Akhnaten. Cast and production (by David Freeman) are similar to those already seen at New York; Paul Daniel conducts. Further performances of Aida and The Midsummer Marriage, both not entirely satisfactory stagings redeemed by strong musical performance. (8363161).

WEST GERMANY

Frankfurt, Opera: Hoffmanns Erzählungen is a Herbert Wernicke production, La Bohème is steered to triumph by Yoko Watanabe as Mimi. Der Zigeunerbaron closes the week. (25621).

VIENNA

Volksoper (5324/2657): Lehar's Das Land des Lächelns; Zemlinsky's Clothes Make People; My Fair Lady; Offenbach's Orpheus in the Underworld; Orff's Die Kluge; Suppe's Die Schöne Galathee.

NETHERLANDS

Amsterdam, Carre Theatre. The first concert performance of Mauricio Kagel's Aus Deutschland, with soloists, the Netherlands Chamber Choir, and the Schönberg Ensemble conducted by Reinbert de Leeuw (Wed, Thur). (225225).

The Netherlands Dance Theatre with Dreamtime by Jiri Kylian, and world premieres of ballets by Hans van Manen and William Forsythe. Fri and Sat in Scheveningen, Circus Theatre (558800), Mon to Thur Amsterdam, Stadsschouwburg (242311).

Previn Music Festival/Festival Hall

Andrew Clements

The Royal Philharmonic Orchestra is signalling the advent of its new music director by taking over the Festival Hall for the next two weeks for the André Previn Music Festival. The celebrations began on Sunday night with a programme that included the first performance in London of Previn's Piano Concerto, written last year for Vladimir Ashkenazy, who is one of the festival's pianists in residence.

Previn calls his concerto a "frankly virtuoso vehicle" in the "three standard movements." What we have is a half-hour piece on a Rakhmaninov-like framework with the slow movement replaced by a substantial theme and variations. The demands on the soloist are considerable (and splendidly met by Ashkenazy); those on the audience are less extreme. Anyone acquainted with 20th century romantic piano concerto from Rakhmaninov and Ravel to Prokofiev and Shostakovich will be on familiar ground, right down to the cut of the melodies and the relationship of piano to orchestra.

The themes work by recalling genres rather than by their own inventive distinction, save for the main theme of the central movement, a brooding cello solo later twinned with a bald piano line which has a life of its own, even if the subsequent treatment of it is generally derivative. But the orchestration is touched in lightly, and the piano writing though complex is never heavy; much of the concerto is admirably transparent.

The finale of the concerto generates much of its momentum by evoking the spirit of Walton, and his First Symphony closed the concert. It has long been one of Previn's finest interpretations. Where some recent conductors (notably Haitink) have favoured a more massive approach to the first movement, Previn keeps things moving and creates tension by rhythmic snap rather than long-range symphonic architecture. But the bravura flair he brought to the scherzo was highly attractive (even if not as malice-ridden as the composer indicates) and he shaped the slow movement most eloquently. He was perhaps the first conductor to demonstrate that the finale is not the disappointment it was long held to be, and he still makes it the work's true apotheosis. The RPO played consistently well for him; clearly a new broom is sweeping through the orchestra to some effect.

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A boost for Austin Rover

AUSTIN ROVER, the volume car subsidiary of BL, has once again survived a critical scrutiny from ministers, civil servants and assorted expert advisers. Mr Norman Tebbit, Trade and Industry Secretary, yesterday announced the Government's approval of the company's corporate plan, including extended collaboration with Honda of Japan.

Given its poor financial results in 1984 and the size of the investment programme (the funds for which are ultimately dependent on the Government's guarantee of the company's continuing existence), ministers must have been tempted to cut back the corporate plan and force Austin Rover to slim down even further.

But the calculation—and it is probably correct—was that to do so would set back, rather than accelerate, the desired return of Austin Rover to the private sector.

In the last few years the management of Austin Rover has succeeded in arresting what had seemed a case of terminal decline. It has been a remarkable achievement, and one which served as a model for other parts of British industry. *Manning levels have been* drastically reduced and productivity raised close to the best European standards — well ahead of the French industry, for example, which is now paying the price for failing to keep control over its costs. The model range has been renewed to the point where it is at least a respectable contender in most sectors of the volume market.

Competition

Yet after all this effort and the injections of large sums of taxpayers' money, Austin Rover is a long way from generating the profits and the cash necessary to stand on its own feet, without the backing of the Government.

Is this because Austin Rover is too small to compete? It is certainly true that its sales are too heavily concentrated in the domestic market and that, despite the factory closures that have taken place, the company's fixed costs are too high for the volume that is going through the plants. Austin Rover should be helped on both these fronts by the closer alliance with Honda, which includes the assembly under contract of the Japanese company's models.

The old idea that no company could survive in the volume car market without sales of around 2m units a year has had to be modified in the light of technical developments, particularly the use of robots and flexible manufacturing systems.

It should be possible, with a judicious combination of in-house development and collaboration with other companies on key components, to run a viable business at volumes of less than 1m units a year. Austin Rover's volume is currently below 500,000. To get it up will require increases in market share both in the UK and on the Continent in the face of fierce competition from the leading European companies.

The European car market differs from that of the U.S. and Japan in that the top six companies each hold about 12 per cent of the market. In Japan and the U.S. the dominance of Toyota and General Motors inevitably involves a degree of price leadership, which is absent from the European scene. Moreover, the capacity of the European industry exceeds demand by at least 2m cars a year and there seems little prospect of that excess being whittled away, at least in the short-term.

Austin Rover is some way behind the top six. But it is not obvious that its prospects are overwhelmingly worse than those of some of its bigger competitors. The fact is that, with market conditions as they are, it is very difficult for any of the volume car producers to make adequate profits; some, like Renault, have been reporting losses which dwarf those of Austin Rover.

Austin Rover has done most of the right things in terms of its internal efficiency, although there will continue to be a need to maintain investment in new manufacturing technology. The keys to its future will be the success of its own models in the marketplace and the effectiveness of its co-operation with Honda.

The danger is that the Japanese company may use Austin Rover simply as a way of strengthening its position in Europe; for Austin Rover the alliance has to be seen as a means both of achieving economies of scale and of raising its share of the world car market.

Line-up in the gilts market

SECOND THOUGHTS from Schroders and E F Hutton have reduced the number of firms on the approved list of gilt-edged market makers in the new UK government bond market from 31 to 29. It is still a much larger number than is likely to be supportable by the market. Most practitioners do not expect there to be room in the long run for more than about six to 10 major participants, with a few more earning a living in specialist sectors. But the Bank of England has not exercised its prerogative to weed out the list if the large numbers threatened a serious risk of disorder in the new market's early days.

This hands-off approach is to be welcomed. It remains possible that the Bank could encourage a few of the contenders to merge during the 16-month period that remains before the likely starting date of the new market in October 1986, but fundamentally the authorities are relying on competition to knock the new market into shape.

This open door policy should be beneficial for investors, and could also, at least for a time, reduce the cost of borrowing for the Government. There will be a quite dramatic change in structure from the present position, in which just two jobbing firms control something like 80 per cent of the central market.

All the same, it is idle to suppose narrow prices and high liquidity are compatible with the achievement by the market *makers of a satisfactory return* on capital of approaching £600m which they are collectively to commit to the new-style market. Even if the market does not turn into a bloodbath there is bound to be severe pressure on a number of houses in the early years; the much bigger U.S. Treasury bond market can support no more than 36 primary dealers.

In the list of 29, British-owned firms constitute a narrow majority only if two joint operations with partners from the U.S. and Hong Kong are taken into account. Elsewhere, there is a powerful group of 10 U.S.-owned participants including five commercial banks which are gratefully accepting the chance to enter a business from which they are banned by regulatory constraints at home.

There are no Japanese market makers in the list. Whether they failed to apply because they regarded the commercial prospects as unattractive or because they knew they would have been ruled out on reciprocity grounds — the equivalent Tokyo markets remain virtually closed to foreigners — is something on which it is hard to get a convincing answer.

But the Stock Exchange has made it clear that Japanese firms will be unwelcome as members until the Tokyo market is opened up, and this unofficial ban does not in the event appear to have been put to a formal test.

A more serious gap, in the context of European politics, is the absence of any representatives of the European Community. The only Continental participation is by banks from Switzerland. There are no contenders from Germany, France, the Netherlands or Belgium (leaving out of the reckoning the tiny 5 per cent stake held by Deutsche Bank in Morgan Grenfell).

Welcome mat

Plainly this is not an intentional decision by the Bank of England, which has been careful to lay down the welcome mat. One factor may have been that its choice of a New York-style market trading system inevitably encouraged American participation, whereas Continental banks may have been apprehensive at the need to cope with not only a foreign country but an unfamiliar market structure too.

Although the list has now been closed, it will be opened again toward the end of 1987, which may give financial institutions elsewhere in the Community another chance to consider joining the gilt-edged trading arena.

But the transformation of the UK government securities market into an Anglo-American preserve will confirm Continental suspicions that the City of London is developing as an offshore financial centre linked much more closely to the U.S. than to Europe. That this is partly the consequence of the Community's failure to integrate its capital markets will not provide much sugar for this bitter pill.

ARGENTINA AFTER THE IMF DEAL

Alfonsin leads from the front

By Jimmy Burns in Buenos Aires

NOT SINCE the military government of General Leopoldo Galtieri announced that it had invadad the Falkland Islands has such a sense of profound change gripped the Argentine people to the extent it did last weekend.

This was poignantly clear on Friday evening in Buenos Aries when the usual bustle of the weekend was replaced by deserted streets as the local population chose to stay at home and listen to President Raul Alfonsin speak to the nation, surrounded by an eerie winter mist outside.

Sr Alfonsin's rhetorical powers have already been proven in a successful election campaign, a public condemnation of the former military regime, and a national plebiscite on the Beagle Channel. But on Friday it was the substance rather than the style which caught the audience: an overhaul of the economy on a scale unprecedented in Argentina's recent history. It involves a new national currency, a prices and wages freeze, and a fiscal and monetary policy of such immediate severity as to make the adjustment programmes of other Latin American debtor nations look like a picnic by comparison.

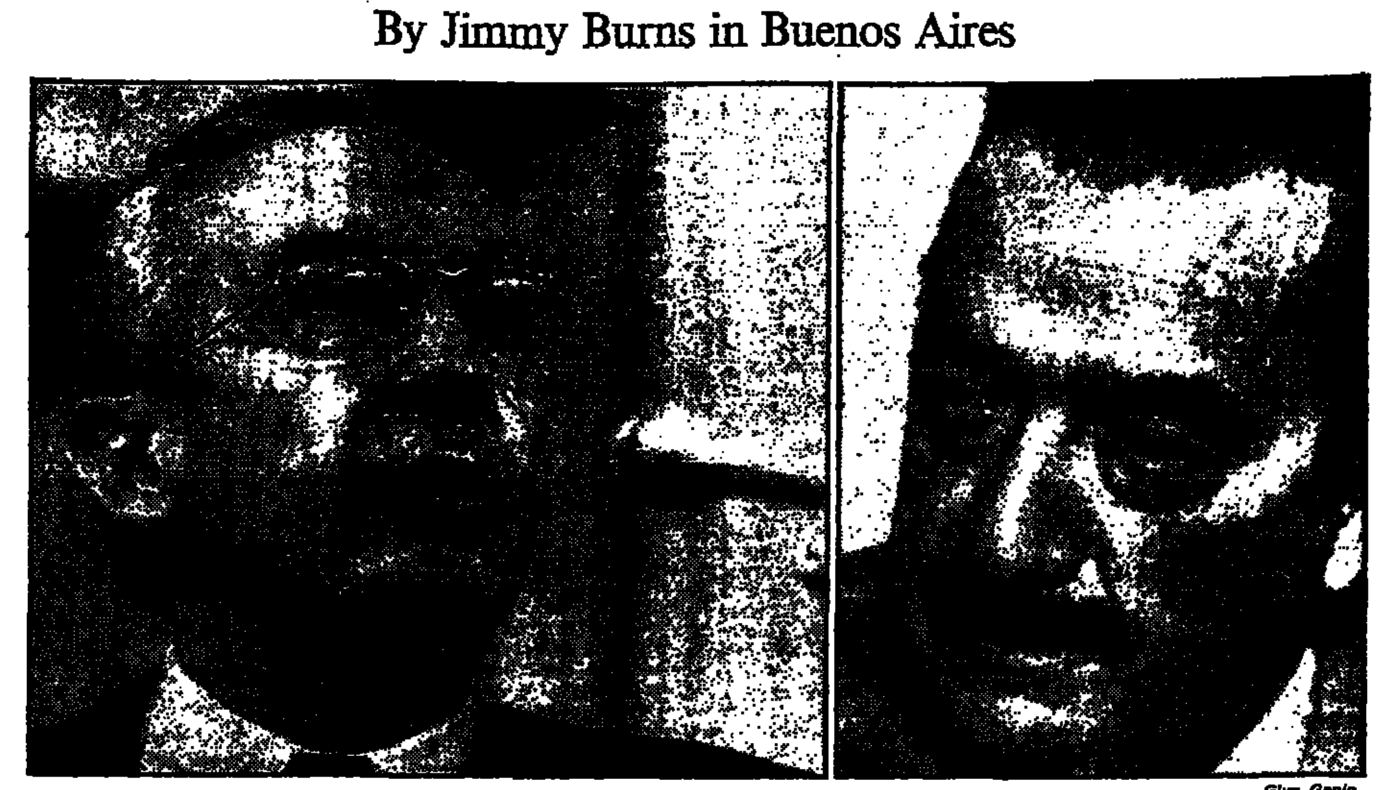
"This is a mix of IMF orthodoxy and our own ideas," says Sr Roberto Frenkel, one of the leading lights in the "Think Tank" of economists that worked to produce last week's measures.

It is now emerging that the Memorandum of Understanding published last Monday was only one pillar of a far more complex structure put together in secrecy over the last three months by a team led by Argentina's young Economy Minister, Sr Juan Sourrouille and the IMF.

Sr Sourrouille's predecessor, Sr Bernardo Grinspun, tended to have rather stormy relations with the IMF. Argentine officials then insisted that inflation was primarily an internal matter and that creditors had no real rights to impose measures as long as the country continued to chalk up a healthy trade surplus sufficient to pay interest on its foreign debt without recourse to major new borrowing.

But the historic compromise between this trickiest of debtor nations and the IMF has been brought about less by the achievement of an improved current account deficit on the balance of payments—in 1984 this fell to less than £1.7bn, compared to an original forecast of $2.2bn—than by the growing cancer eating away at the social foundations of Argentina's economy: hyper-inflation.

When Sourrouille took over in March, the domestic situation presented a strikingly different picture to that which existed in the first months of 1984. Gone were the bold commitments to an increase in real salaries of between 6 and 8 per cent, gone was the maintenance of economic growth and the servicing of the country's *$48bn debt. Instead the country* found itself immersed in an unprecedented stagflation and technically in default having not paid interest on its debt since last November.



An historic compromise: Jacques de Larosiere, managing director of the IMF (left) and President Alfonsin (right)

Glyn Genin

Thus Sr Sourrouille was forced to argue the Argentine case in Washington in very different terms. Setting aside the public theatrics of Sr Grinspun, the new economic team argued with moderation that neither trade surpluses nor budgetary or monetary targets made sense any more in a situation in which inflation had both built upon itself and also destroyed all the known orthodox methods for controlling it.

What was needed was a clean sweep of the system, as sweeping perhaps as that applied in a similar situation by post-war Germany—only then could Argentina proceed to fulfil the main requirements of its creditors and resume economic growth.

Recent events have revealed the basis of an unprecedented working arrangement between President Raul Alfonsin's Government and the IMF. To begin with, the published Memorandum of Understanding contains none of the risky concepts volunteered unilaterally by Argentina this time last year. "Stabilisation" is the opening cue and there follows an unqualified commitment to service the foreign debt *and* bring down inflation. The maintenance of real salaries as a priority issue has been put on the back burner by Sr Sourrouille's Memorandum.

Instead the first measure to be announced with the agreement was a devaluation of over 15 per cent — a major departure in government policy after months of cautious crawling pegs, and occasional mini-devaluations. To bankers it came as a positive sign that Argentina was prepared at last to settle for a more realistic exchange rate.

Other measures applied almost immediately were additional price increases in fuel and utility prices consistent with 35 per cent real increase in their prices pledged in the Memorandum. The increases alone are expected to have a revenue saving effect equivalent of 2 per cent GDP.

Argentine officials are convinced that by scrapping a depreciated and largely worthless peso and replacing it by the Austral, Argentines will get a sense of "starting anew." But the package of measures announced on Friday shows an awareness that the hearts and minds of a largely sceptical public will not be won simply by knocking off a few noughts and giving the currency a new name — this has been tried before in Argentina and the currency has simply gone on depreciating. Vague threats of price controls have also been made in the past and these have been evaded by speculation or scarcity.

This time round the Argentine government has moved from a position of relative economic strength—Government-set prices and the exchange rate are now at a realistic level. Moreover by drastically reducing interest rates, freezing prices and wages and revising all contracts and loans signed prior to last Friday, the Government has proposed the de-indexation of the economy predicting a monthly inflation rate of single figures within two months. It has also backed up its price control with an unprecedented propaganda campaign urging the consumer to denounce irregularities.

Its success in staying on top of the situation will depend on the drastic reduction of the budget deficit and tight monetary policy pledged in the Memorandum of Understanding. For it is lack of public faith in the Government's ability to put its own house in order that has largely fuelled inflation in the past.

Government aides insist that not since he ordered the court martial of the juntas last December has President Alfonsin felt more enthusiastic about any single item of Government policy as in the last few days. "We have no doubt that the President is going to put his full political weight behind our fight against inflation," said Sr Jose Luis Machinea, the Under-Secretary of the Economy

The importance of such an assertion cannot be overstated. For as the Government's resounding victory in last year's referendum showed, there is still a widespread identification between the Argentine public and the personality of the President.

Despite the shaking of the Government's credibility on account of its recent handling of the failure of the Banco de Italia y de la Plata, opinion polls continue to show that Sr Alfonsin's reputation as a genuinely honest democrat has survived the administrative hesitations and blunders of his Ministers.

The unions have been and continue to be a different matter. At the start of his term in office, President Alfonsin seriously miscalculated in believing that he could tackle them head-on and the result has been a strained relationship ever since.

Argentine workers were recipients in the first few months of democracy of pay increases of up to 100 per cent. However, union leaders have insisted they have become the victims rather than the culprits of Argentina's stagflation. They have claimed that wage increases in excess of productivity has been the result of inflation rather than its cause.

With the budget deficit increasing to over 12 per cent of GDP and real salaries falling by over 10 per cent in the last half of 1985, the Government has found itself increasingly short of counter-arguments.

In the past, the Government of Sr Alfonsin has been unable to resist leapfrogging wage demands because of a lack of a coherent economic programme. It hopes that the announcement of last week's measures will be widely accepted as evidence that it now has one.

Persistent high rates of inflation have bred a particular mentality within Argentine society. If President Alfonsin manages to replace speculation by hard work and scepticism by a collective devotion to the future he will go down in the history books as a revolutionary. If he doesn't he will simply join the long and sad list of Argentine presidents who promised so much and delivered so little before accelerating the self-destruction of their nation.

RELIEF, BUT NOT YET A TRIUMPH

A RELIEF, but hardly yet a triumph. *This is in essence* the reaction of Argentina's main bank creditors to the country's adoption of a new and stringent austerity programme endorsed by the International Monetary Fund.

In the short run, the IMF agreement has already meant a resumption of interest payments on Argentina's public sector debt, eliminating some of the arrears which stretched back as far as last November. Argentina paid $250m out of its own reserves last week. This week, after completion of the legal work on a $480m bridging loan from the U.S. and 11 other countries, it is expected to pay more, bringing remaining arrears within the 90-day *limit* normally regarded as safe by the U.S. banking community.

That, in turn, should mean that the government of President Raul Alfonsin will escape the damaging humiliation of seeing its debt officially downgraded to "value-impaired" by the U.S. authorities.

A committee of officials responsible for supervising the banking system was meeting all last week to examine Argentina's debt. Though it has not officially communicated its decision, at least bankers now expect it not to opt for a category as serious as "value-impaired" which would force U.S. banks to set up loan loss provisions and could jeopardise efforts to put together a $4.2bn medium-term loan to cover Argentina's external needs for this year and next.

For the longer term, however, a great deal of scepticism remains. Most bankers are fully convinced that this time round Argentina really intends to do its utmost to make its IMF programme work.

"Alfonsin has realised that when you have a 1,000 per cent inflation rate you have a domestic political problem and not just a debt problem," said one senior U.S. banker.

But the question is whether the programme will succeed. Here worries focus on two main fronts. First is the reaction of Argentine trade unions which could seriously limit President Alfonsin's power of political manoeuvre and scupper chances of pushing the programme through. The second worry concerns the domestic banking sector.

The collapse of the privately owned Banco de Italia last month has focused attention on the weakness of Argentina's banks. Many, like Banco de Italia which has foreign debts of more than $250m, have raised loans abroad. Unless these are honoured there is still a risk that some creditor banks will want to walk away from the rescue package. And despite assurances of support from the Government, many bankers are still unhappy about arrangements to help Banco de Italia through its crisis.

Peter Montagnon

Men and Matters

Introduced by Rothschild

The tall figure of Jacob Rothschild popped up yesterday in unlikely surroundings. As David Alliance and Harry Djanogly, both long accustomed to keeping clear of the Press, took the stage to announce one of Britain's biggest-ever textile mergers, there was Rothschild shepherding them into the public gaze.

Several months ago, it seems, Rothschild had a quiet chat over cheese and biscuits with Djanogly about the future of Nottingham Manufacturing.

Shortly afterwards, Rothschild had a few words with his long-time friend, Alliance, of Vantona Viyella.

The marriage was broked, says the enigmatic banker, "partly for fun." But he also acknowledges holding "a few shares" in the companies.

This was not Rothschild's only recent foray into the textile industry. A few weeks back, he bought a block of shares in Tootal and thereby frustrated the strenuous attempts of Entrad, an Australian group, to take over the company. He still holds nine per cent of Tootal but insists that this is unrelated to the Vantona merger.

Another coincidence — Vantona's financial adviser in the deal is N. M. Rothschild, the merchant bank in which Jacob Rothschild was a leading light until he went his own way in 1980.

Devil's work

The Church of England's theological and political tiffs are mild affairs, indeed, compared with the fierce battle that has been waging among America's Southern Baptists, whose 14.3m members form the second largest church in the U.S. and a powerful political force in the South.

The struggle came to a head in Dallas last week when the conservative or fundamentalist wing of the church fought off a bid by "moderates" to win control of the Convention which governs church activities, funded by $3.5bn-a-year collection from congregations.

After a close vote, the Rev Charles Stanley, a popular TV evangelist and a founder of the Moral Majority, was re-elected president, defeating the Rev Winford Moore, who has led the challenge by the "moderate." (Both sides would be labelled arch-conservatives anywhere else).

The fight for control of the church has been bitter enough to involve the secret taping of Bible classes. The Rev Billy Graham, the evangelist, who supports the fundamentalists, has referred to it as "the work of the Devil."

Moore, who has been physically threatened and subjected to a McCarthy-style witch-hunt, brought his own bodyguard to Dallas where more than 45,000 "messengers" from the Baptist churches met to choose their leader.

Differences between the fundamentalists and the moderates revolve around the question of whether the scriptures should be interpreted literally.

But the fundamentalist wing, which took control five years ago, contends that "creeping liberalism" has been the death of great religions in the past and will destroy the Baptist faith if it is not checked.

Its victory last week has been greeted as a triumph for conservatism in the movement which, with the increased prosperity of the sun-belt states, exercises increasing political influence.

But efforts are now being made to patch up the differences and prevent a permanent split developing in the church.

Oil painting

How carefully do OPEC oil ministers watch the shares of the USM's trendy little design companies?

Answer: Avidly. In the prospectus for Blanchards, the up-market interior designer joining the USM this week, the United Arab Emirates' energy minister, Dr Mana Saeed al-Otaiba, is reported as owning eight per cent of the shares.

Otaiba should know more about his investment than the institutions which are taking up their stakes today. For the last three years, he and his family have been Blanchards' biggest customers.

And they apparently have apparently have enough sub-standard residences left for decorating to make the company confident that the Otaibas will top its cilent list for at least another two years to come.

Norman conquers

Norman Willis, TUC general secretary, has evidently decided to make a feature of his not inconsiderable talents as a stand-up comedian and songster.

His sing-along rounded off the bill yesterday at a star-studded afternoon of celebrations in Bridlington for the 75th anniversary of the health workers' union, Cohse.

Earlier, Labour leader Neil Kinnock, actors Colin Welland and Prunella Scales, and the Red Ladder Theatre company, had joined Willis in a selection of readings from the history of the union.

But it was Willis's repertoire which stole the show—ranging from a rendering of "I'm Henry the VIIIth, I am" to "Solidarity Forever," an American union anthem, and interspersed with quips like "As they say about the TUC, if they were in a javelin throwing competition, they would elect to receive."

Willis admitted that he had been asked if it was altogether wise for a man in his position to lead a sing-song. "That's almost certainly true," he said, "but what the hell."

Peep at power

Russia's millions are offered a unique peep into the Kremlin's corridors of power in a new film to be shown on television and in cinemas throughout the Soviet Union. It is a profile of the late President Yuri Andropov.

The camera looks out of the window of an armour-plated Zil limousine as a convoy sweeps across Red Square to the Kremlin and takes viewers into the long office for one of the Politburo's weekly meetings.

It includes unprecedented interviews with Andropov's family and the disclosure that the former president, whose power lasted only 15 months, was a secret poet. "Life is but a moment, non-existence lasts for centuries," a solemn voiced orator reads.

But the film is proof that Andropov has not sunk into non-existence like Stalin, Krushchev and Brezhnev. The only references to Brezhnev are scathing and Chernenko goes unmentioned. Current leader Mikhail Gorbachev, however, is shown confident and relaxed at Andropov's right hand.

The film's director, Oleg Uvalov, told VIPs at a preview: "Gorbachev has seen it and all the members of the Politburo have, too. I think they liked it."

Keg bitter

Keg Restaurants of Vancouver has just posted its biggest three-month loss in 14 years and passed its usual quarterly dividend. Instead, the company is "rewarding" its 1,200 shareholders by giving each of them a C$10 meal voucher, redeemable at any of its 105 restaurants in Canada and the U.S.

The voucher covers less than half the cost of an average Keg meal. But a company official says it will buy "four or five" drinks—perhaps what Keg shareholders need most, right now.

Observer

Letters to the Editor

Stock Exchange reform

From Mr E. Baker

Sir,—Since the vote on the changes to the Stock Exchange constitution and membership, those members who voted according to their convictions have been labelled by sections of hte Press as greedy, envious, jealous, Luddits, woolly headed backwoodsmen, shop stewards, living in the past, impeding progress, etc., etc. Very obviously someone's propaganda machine has been working overtime. It is therefore only right and just that the views of some of those who voted against shoudl be heard.

It has been reported that had we voted in favour, the shares we would have been offered were worth between £10,000 and £30,000—absolute rubbish. No one can put a price on them. This would depend entirely on supply and demand, and in a bad year they could well be worth nothing at all. The fact of the matter is that many of us so-called rebels were so disgusted by the council's complete indiffernece to the plight of the less fortunate members, many of whom may lose their livelihood, that we voted against as a protest, knowing ful well that in so doing we would probably receive nothing at all. I do not call that greedy, merely an act of attempted self-preservation. As a result of the recent spate of take-over bids for jobbing and broking firms, many Stock Exchange members will become extremely wealthy overnight, some even millionaires. Good luck to them, I am not envious of them, they have something to sell which I do not, but in selling out to the big combines they are also selling part of the assets of the Stock Exchange, and we feel that we should receive some compensation for that part of the deal. Bear in mind that around 30 members of the council are from firms that have already done deals. In no other walk of life would people who have such a vested interest be allowed to formulate and dictate policy which is so obviously in their own interests.

After the poll our chairman said that he had no alternative proposals to make. I would suggest one simple alternative. The deals already done are reported to be worth hundreds of millions of pounds: if the recipients were to sacrifice a very small percentage of this, say 2 per cent or even less, the resultant funds, together with the value of the proposed shares (if any), would go a long way to compensating those of us who may well have to make the ultimate sacrifice, i.e. the loss of our living. Viewed in that context, who is being greedy?

We are not ignorant, or any of the other adjectives ascribed to us, and have repeatedly stated that we are aware that changes have to be made if the Stock Exchange is to survive in the future. Many of us have spent our lives working in the Exchange and have no desire to see it fragment or collapse. All we have ever asked for is a fair deal. We realise that our chairman has an extremely difficult task, and is under pressure from many quarters, but I do feel that a little less intransigence and more concern for all of the members whom he and t he council were elected to serve, would rapidly lead to an amicable solution.

Surely it is in the interest of everyone to face the problems ahead as a united house and not a divided one.

Eric A. Baker,
15, Seabrook Road,
Tonbridge, Kent.

Access to Westminster papers

From Mr P. Luff

Sir,—Peter Riddell on the report of the Commons Select Committee on Members' Interests ("Disquiet sparks call for disclosure," June 14) quotes evidence I gave to the Committee on why I held a pass to the House of Commons.

It is ridiculous that many papers available to MPs through the Vote Office are not readily available to people who would be affected by the views contained in them. HMSO's selection of Parliamentary papers is incomplete and the difficulties and delays in obtaining documents from the Stationery Office are considerable.

There is a clear need for the House to establish a fully commercial sales point outside the security precincts of the Palace of Westminster where all documents available to MPs and members of the House of Lords are available for sale to the public at the same time as they are available to members of either house.

The establishment of such an operation is long overdue and would remove all legitimate reasons for outsiders such as myself ever wishing to hold a pass. Having discussed my own pass with the MP who made it available to me, I surrendered it because we felt it inappropriate to obtain documents in this way. There are many others, however, who continue to resort to using privileged access to the House of Commons to obtain information that should be freely available.

The solution to this situation lies in the hands of the Services Committee of the House, and I hope that my evidence will encourage it to take this question very seriously.

Peter Luff,
Good Relations Public Affairs,
59 Russell Square, WC1.

Fall predicted for gold price

From Sir Walter Salomon

Sir,—In your edition of June 12 there was an article headed "Imminent increase predicted in price of gold."

I recall participating in a seminar which was sponsored by the Republic National Bank of New York and which took place during the IMF meeting in Washington in 1977.

Basically, the seminar turned out to be a lobby for the gold addicts and one could hear voices predicting that the price of gold would rise to $2,000 per oz. I was the only one to raise his voice and try to explain that I did not think there was any justification for taking such an optimistic view.

I remember in my early professional life, the central banks had given an undertaking to buy gold at any time at the price of $35 per oz. One day the rumour spread that this and this created quite an uproar until the central banks declared guarantee would be withdrawn that there was no truth in the rumour.

Today, the estimated amount of gold in the hands of the central banks is $320bn and, of course, a serious fall in the price of gold would be very critical for the central banks, and the international financial situation.

Now this is not a rumour but a possibility, that one day one of the central banks will no longer accept gold in exchange for settlements of currency debts. Imagine the repercussions that could have. Maynard Keynes once said that gold was a "barbaric relic," and so it is.

I can see no reason why the price of gold should not fall; in fact, with the financial situation as it is, the possibility of a substantial setback in the price is very much on the cards. To have gold could be a very expensive investment giving one no income at all and causing considerable expense to keep.

(Sir) Walter Salomon,
Alderman's House,
Alderman's Walk, EC2.

Low wages and employment

From Jill Rubery and Frank Wilkinson

Sir,—The arguments for abolishing wages councils have focused on the alleged employment creating effect of further reducing wages at the lower end of the distribution. The efficiency argument against this is that even if such jobs were created they would add little if anything to the social product. Moreover because any increase in employment would probably reduce labour productivity the jobs created would not be economically meaningful in any sense that we understand the term.

A further reduction in low pay would not in itself have any significant influences on the overall level of demand for the product—particularly as a high proportion of wages council workers are in the service sector. Consequently, any increase in employment resulting from pay cuts would merely spread demand more thinly so that labour productivity would fall. This effect would be particularly detrimental if the increased output share of low-paying firms was at the expense of the more efficient.

Professor Dennison (May 28) and others would no doubt interpret these trends as indicating a convergence of wages rates towards the productivity of the workers employed. Now whereas our own research supports the view that many low paid workers are employed in inefficient or unproductive firms (so that unregulated labour markets can in fact result in destabilising and inefficient competition), it does not support the conclusions that Professor Dennison jumps to, that the workers employed are low productivity workers. In fact, it leads to the opposite conclusions.

The low paid jobs we have studied are frequently intrinsically higher skilled than many which carry a much higher wage and generally speaking low paying firms require access to skilled, reliable workers whose pay is low relative to their productivity if these firms are to survive. These workers are available at low wages because the labour market is so structured as to deny alternative opportunities to important sections of the workforce in which women, racial minorities and young people predominate. They are obliged to work for low wages because of poverty and are able to work for wages below that necessary to sustain them because they have access to a pool of resources provided by the family or the state. This forms the substance of the argument that such firms are parasitic. They pay their workers wages which are below the standard of living because the poverty of their employees is eased by access to non-wage income.

Thus the firms are subsidised by the workers, their family, the employers of other family members and possibly the community andthe state. Thus the essence of the efficiency argument for minimum wage protection is that uncontrolled competition has a detrimental impact on enterprising firms and low pay leads to a misuse of labour resources because inefficient firms receive a subsidy.

Jill Rubery,
Frank Wilkinson,
Department of Applied Economics,
Sidgwick Avenue,
Cambridge.

Ticking off for investors

Sir,—If application forms for new share issues incorporated a box to be ticked by investors who would prefer their applications to be returned if over-subscription of the issue carries the likelihood that they would receive less than, say, half the number of shares applied for, this would probably exclude from the allotment a large number of "stags," as well as private investors not interested in a crumb in lieu of a loaf.

Had I, for example, applied for 5,000 shares in the Abbey Life issue, I would find it more of a nuisance than anything else to end up with the 250 shares which your report (June 14) indicates to be the probable result of such an application.

Clive Bingley.
16 Pembridge Road, W11.

Pension–marketing commission

From Mr A. Harper

Sir,—With reference to the life/pension-marketing commission debate it is worth noting that self-employed individuals have been in the (voluntary) private pensions market for decades, thus the perceived problems which may or may not materialise in relation to the selling of compulsory contracts for the employed market-place have already been met.

Whether because of the fluctuating nature of their profits or because of bad experience at the hands of unscrupulous salesmen, many self-employed persons invest in single premium contracts rather than regular ones. This not only encourages a healthy periodic review of performance and interest in what else is available from other firms, it firmly re-establishes the principle of let the buyer beware. The result can be that come retirement the prudent investor has a very broadly-based and lucrative pension portfolio.

There is no reason theoretically why the single premium option should not be available under the proposed new arrangements especially since the Government is directly seeking to place the onus of responsibility, for supplementary retirement pension provision, upon the particular employee. The real challenge that this presents to the would-be providers of private pension services is whether or not they can establish a profitable system for collecting a potentially large number of such relatively small single premiums.

It should also be noted, however, that servicing the needs of the individual private client has never been a low-cost business.

Arnold J. Harper,
31, Russell Road, SW19.

The efficient market theory

From R. Mully.

Sir,—Mr J. D. Cornford (June 13) is the victim of an act of self-deception. He argues that the existence of what appears to be stable trends in the historic movement of company share prices prove that, contrary to efficient market theory, price movements follow a predictable path which the investor can exploit profitably.

In fact, the apparently "stable" trends revealed in charts are perfectly consistent with being a series of cumulative random numbers. If Mr Cornford were to take the first difference in price along his trend line and plot this against time he would, I think, be impressed by the clear lack of dependence which exists between successive price movements. Moreover, this will apply regardless of the intervals he uses to measure price movements: the randomness of the data cannot be eliminated by adjusting the time horizon involved.

What at first appears to be the reality of common experience is thus an illusion. To borrow an analogy, it is like looking at a stick half submerged in water. If you look at the stick it will appear bent. But if you pull it right out of the water — that is, if you think about your observation more deeply — you realise that the stick is not really bent. It just looks that way.

Similarly with share price movements. It is an act of faith on Mr Cornford's part to suggest that market perceptions of share value adjust only gradually to some underlying reality. All the available eveidence points firmly to the contrary. This is not to say that the stock market is perfectly efficient in its behaviour, but it does seem to be successful in generating prices that capture all new information in a rapid and unbiased manner. Certainly, share prices appear to discount the future prospects of companies sufficiently well to prevent investment practitioners from out performing the market other than by chance.

The reality of market efficiency has profound implications for corporate financial strategy as well as for investment management. Remarkably many of the rules of thumb used by finance directors and by their advisors implicitly assume that persistent market inefficiencies are rife. These beliefs are reflected in debates about timing and pricing of rights issues; in acquisition searches and bid tactics; in discussions on dividend policy; and in financial reporting practices and disclosure decisions. Yet all the evidence suggests that these perceived inefficiencies are little more than an illusion, and that enlightened financial executives need to reconsider their policies in the light of an efficient capital market.

Richard Mully,
Corporate Finance Division,
Deloitte Haskins & Sells,
128, Queen Victoria Street,
EC4.

Life assurance on the hook

From Mr E. Hart

Sir,—"Life assurance on the hook" (June 6) was the title. Not so! say I with great respect. As there is nothing new under the sun so is there nothing new on life assurance. Methods of introducing it yes, such being the consequence of competition, but please, please, there is more than enough cynicism these days without your contributor compounding it unnecessarily. Would Barry Riley like the Financial Times to intimate his fee? I think not.

Of course the industry is fallible (the product is regrettably sold rather than bought) but self-regulation is required and while Rolac is not a panacea it is protecting the public by virtue of its acknowledgement of the status of the intermediary, at least for the present.

O' for the reincarnation of the Corporation of Insurance Brokers. Since such is impossible, let us support Rolac, and away with more cynicism. The term "honest broker" while not universal is far from dead —thank goodness!

E. J. Hart,
21, West Nile Street, Glasgow.

Verbal anarchy–voicing it

From Mr M. Crow

Sir,—It may be correct for one to pen a letter, or film a screenplay. When however, your film critic writes (June 14) that Mr John Seale "lensed" the film "Witness," the senses reel.

Are we to assume that were your columnist to eyeball a good film, or ear its spectacular soundtrack, he would voice about it afterwards? Of course not — any more than a computer would microchip data, or a diner tooth a tough steak.

Artistic licence is only to be expected on your Arts Page — but you have given place to verbal anarchy.

Malcolm Crow.
8, Belsize Park Gardens, N.W.3.

Lord Cockfield

Little to lose and he knows it . . .

By Quentin Peel in Brussels


Cockfield: a revelation

TO THE consternation of many of his former colleagues and associates. Arthur, Lord Cockfield, is thoroughly enjoying himself in Brussels. Not only that. Brussels is beginning to enjoy him.

When he sent to the European Commission on January 1 to take up his appointment as Britain's senior commissioner, he could hardly have had a worse press. The move was even interpreted in some quarters as a deliberate snub by Mrs Margaret Thatcher to the European Community.

Nobody doubted his intellectual qualities, given his record as a qualified barrister, Inland Revenue Commissioner, one-time managing director and chairman of Boots, president of the Royal Statistical Society, chairman of the Price Commission, and finally a Cabinet Minister.

But he had no popular political base and no known European interests. Worse, he was described as arrogant and obsessed with detail, and certainly no diplomat in dealing with colleagues from 10 different nations.

Lord Cockfield in Brussels has been a considerable revelation. Far from being a sniping and hyper-critical bystander at the European debate, as many expected, he has seized his portfolio of internal trade with a vengeance, and proceeded to teach most of his colleagues what it means to be a European.

In doing so, he is in danger of leaving his own compatriots behind. For his vision of a European Community without frontiers, spelt out this weekend with ruthless logic and clarity, goes a long way further than Whitehall ever intended.

When Lord Cockfield stood before the Press on Saturday to present his White Paper on Completing the Internal Market to the public, he waxed positively lyrical. His presentation was delivered in the same slow, almost pedantic way which must have infuriated his British Cabinet colleagues. But the content was thunderous rhetoric —"it will fundamentally alter the face of Europe for the rest of our lifetimes"—and even a few well-placed jokes. His Lordship was in his element.

His first good fortune has been to pick a portfolio for which he is eminently well-suited. The removal of barriers to a "single, great market" (Lord Cockfield's own phrase, now *de rigueur*) coincides closely with his staunchly free market political instincts. His own views are well ot the right of his colleagues'.

The detail of subjects such as harmonisation of industrial standards, the legal and technical barriers to free exchange of financial services, and the fiscal consequences of scrapping frontier controls, is grist to his intellectual mill.

The internal market is also the one area on which there is a broad consensus on the need for renewed progress. "We are losing ground compared with the U.S. and Japan," Lord Cockfield says. "Welding together of the 10, soon to be 12, economics of Europe will not solve the problem. But it will be one of the major contributions to solving it." That thesis has become one of the main themes of M Jacques Delors' Commission.

Mrs Thatcher in particular was keen to win the internal market portfolio for her nominee. With the battle for a British budget rebate regarded as won by last year's Fontainebleau agreement, that portfolio held by Mr Christopher Tugendhat could be safely abandaned, and the senior British Commissioner concentrate on the second priority.

Lord Cockfield has taken the subject and expanded upon it. When M Delors, the Commission president, spelt out his programme on taking office in January, he linked completion of the internal market to the vision of "Europe sans frontieres"—a Community with all internal borders scrapped. Lord Cockfield questioned him closely, accepted the idea, and has now taken it to its logical conclusion.

Intellectually, he is rather like a battering ram. He insists first upon defining his goal. Once that is accepted, he works out with inexorable logic the steps required to get there. If you accept the destination, then the argument becomes very hard to fault.

In meetings of the Commission, Lord Cockfield is one of the very few who stand up to the dominant figure of M Delors, and dare to disagree. He has also earned the respect of his colleagues as, of all things for a sceptical Briton, the guardian of EEC purity.

That is part of his sheer intellectual enjoyment of his new job. In order to marshall his arguments to support the White Paper, he personally combed through the Treaty of Rome, and the host of Commission directives and Council of Ministers' decisions passed down through the years, to find the key quotes needed to support his case.

He can also draw on his wealth of experience, at the age of 68, to back up his arguments in Commission. Having been a top civil servant, a leading industrialist, and a Cabinet Minister, as well as the chairman of a quango and a statistician of no mean repute, his experience is wider than any of his colleagues, including M Delors.

His slow and precise way of speaking, with perfect syntax and agonising delivery, is ideal in the Babel of Brussels. His colleagues can understand him instantly, and the interpreters find him a delight to work with. His presentation is also a model of clarity, another quality lacking in others.

Lord Cockfield's primary qualification on coming to Brussels was seen as his excellent relations with Mrs Thatcher. His espousal of the European cause may have dented that, but it remains intact.

When it became clear that he was determined to press ahead with the idea of fiscal reform—bringing the indirect tax rates of member states roughly into line, so that frontier tax checks would prove superfluous—the idea caused consternation in the Treasury. Lord Cockfield was summoned back to Downing Street to explain himself.

Nobody relates exactly what happened. But Lord Cockfield has stuck to his guns in the White Paper. And Mrs Thatcher asked him back to dinner at Chequers a few weeks later. In Whitehall they have begun to call the Commissioner another St Thomas à Becket, but so far nobody seems to have asked: "Who will rid me of this turbulent priest?"

The big question now is whether Lord Cockfield can deliver the vision he has drawn up in the White Paper, of a Europe without frontiers, and without barriers to trade, by 1992.

His record to date with the Council of Ministers has also belied his early reputation, showing a shrewd mixture of toughness and compromise, and no little diplomacy. On the question of industrial standards —whether or not the Commission would effectively have the last say on the subject—he gracefully gave way, and was regarded with a decision in record time. On the question of EEC-wide recognition for architects, under discussion for the past 17 years, he called the Council's bluff and demanded a vote. He won that one, too.

There is little doubt that Lord Cockfield has been the surprise discovery of the Commission so far. He began from a very low point, so he could only improve. He could never be described as the life and soul of the party, but then he does not have to be.

He does not mince words and he could easily make enemies with his bluntness. His relationship with M Delors has been portrayed as frosty, although the personal staff of both men deny it. Thus far, at least, they have both usually been on the same side in the battle.

His inexorable logic may yet prove his downfall. In a world of precarious compromise between 10 participants, logic is usually the first casualty. But Lord Cockfield has little to lose, and he knows it.

"They asked for it, and I have let them have it," he says.

FINANCIAL TIMES

Tuesday June 18 1985

BESSE EXPECTED TO STREAMLINE MANAGEMENT

Renault confirms 21,000 job cuts

BY PAUL BETTS IN PARIS

RENAULT, the troubled French state-owned car group, yesterday announced plans to cut 21,000 jobs in its domestic car manufacturing operations between now and the end of next year to reduce mounting losses which totalled a record FFr 12.55bn ($1.33bn) last year.

The new job cuts involve 21 per cent of the group's car division workforce in France, which will be reduced from 98,000 people at the end of last year to 77,000 people by the end of next year.

Renault told a long-awaited meeting with its unions that it would strive to make the necessary job cuts and restructuring by voluntary schemes including early retirement, incentives for immigrant workers to return to their homelands, and retraining schemes to enable workers to find jobs in other parts of the group or elsewhere in French industry.

However, the car group has warned the unions that if voluntary measures fail to bring down the workforce to the 77,000 level, the company will be forced to consider making compulsory redundancies.

The job cuts are part of the draconian recovery strategy of M Georges Besse, Renault's new chairman, to try to put the car group back on the road to recovery. M Besse is now understood to have successfully negotiated a financial package with the French Government to help to reduce the group's debt burden and finance new investments.

He is also expected to streamline and simplify further the management structure of the domestic car division in coming days. M Besse has already taken direct charge of the car division, which is the group's single largest loss-maker and biggest headache.

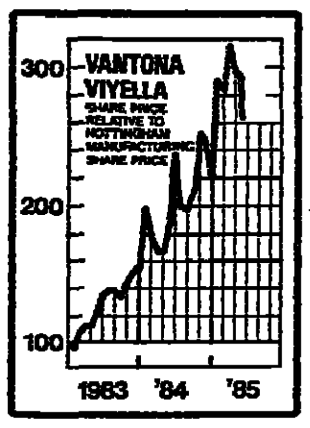
The announcement ends months of speculation about the extent of restructuring at the state car group.

All the unions with the exception of the pro-Communist CGT reacted cautiously to the announcement, expressing general support for the group's approach to try to avoid compulsory redundancies.

The CGT, which with the Communist Party has been increasing its attacks on the Socialist Government's industrial and economic policies, has continued to reject Renault's restructuring efforts and reiterated its call for the creation of 25,000 new jobs

The problem for M Besse and Renault is that the now inevitable and pressing restructuring of the car group must be undertaken against the background of the crucial March 1986 election campaign. Renault has long been a leading symbol of nationalised industry in France and its present serious troubles are clearly being exploited by the right-wing opposition as the prime example of what is wrong with Socialist industrial policies.

The job cuts are to be divided in two phases with 12,000 workers leaving by the end of this year and a further 9,000 by the end of next year. The group believes it will probably be able to reduce the workforce by 12,000 jobs without resorting to compulsory redundancies this year, but acknowledges that the second phase of the programme next year might pose problems.



UK textile companies unveil plan for £350m merger

By Alexander Nicoll in London

TWO OF Britain's biggest textile companies, Vantona Viyella and Nottingham Manufacturing, yesterday unveiled plans for a £350m ($444.5m) merger creating a group with over £600m sales and a broad range of woven and knitted products.

About one-third of the group's sales will go to Marks & Spencer, a major customer for Nottingham and, to a lesser extent, for Vantona, which is based in Manchester.

A chief purpose of the deal is to extend Vantona's strong brand names, such as Van Heusen, Peter England, Rocola and Louis Philippe, across Nottingham's range of knitwear.

"This is really a case where two plus two makes five or six or seven," said Mr David Alliance, Vantona chief executive. "It will not create redundancies. If anything, it will create more jobs." The two companies employ over 30,000 people between them.

Both Mr Alliance and Mr Harry Djanogly, chairman of Nottingham, have built up their companies over the past 30 years into strong forces which weathered the recession and compete strongly against cheap foreign imports by spending heavily on up-to-date production techniques. Mr Alliance is to take charge of strategy for the new group, with Mr Djanogly supervising its operations.

The merger, which owes much to the marriage-broking skills of Mr Jacob Rothschild, is to be effected through an offer by Vantona to acquire Nottingham by issuing three shares for every four Nottingham.

The City of London welcomed the news. The share price of Vantona, the smaller company by market capitalisation, gained 10p to 344p. This valued Nottingham shares at 258p each and the whole company at £201m, and put a market value of £352m on the combined group. Nottingham's price jumped 34p to 256p.

The merger could be hindered by a reference to the Monopolies Commission. Mr Alliance said this was not likely because "we are not in the same businesses."

Vantona's merchant banking adviser is N.M. Rothschild and Hambros Bank is acting for Nottingham.

See Lex; Details, Page 18

THE LEX COLUMN

An alliance made for Nottingham

The idea that Vantona Viyella would be doing everybody a good turn by taking over Nottingham Manufacturing has been kicking around London markets for a while, an attractive notion spoiled only by the fact that Nottingham was clearly not for sale. At the very least, the acquisition of Nottingham would remove the remaining strains on Vantona's balance sheet, while giving Vantona the best possible entry into the knitwear market. Nottingham shareholders who had seen their investment trailing well behind the market for a couple of years, and may have wondered whether the bid to go into dry cleaning last year betrayed loss of direction, were to gain from the marketing edge that Vantona could provide through its brand-names.

Yesterday's agreement to merge the two companies has all the attractions of the takeover blueprint. But there is something on top for the advantages of a management team which combines the acknowledged production skills of the Nottingham chairman, Harry Djanogly, with the more varied entrepreneurial talents of Vantona's David Alliance. If two such forceful personalities can develop a relationship in which they work as effectively together as they have separately, the merger could produce the best all-round management in the textile sector.

Whereas the last Vantona merger, with Carrington Viyella, brought in a mixture of commercial and financial risks, the union with Nottingham creates an immediately stronger and less risky grouping. The fact that Vantona has backlogs of ACT and tax losses will surely keep the tax charge down, and give the Nottingham shareholders more earnings for their money. Pro-forma net cash of more than £70m is a platform capable of supporting far more ambitious designs than Mr Alliance has been able to contemplate before. By creating a powerful new presence in the sector – probably accounting for nearly a fifth of its total capitalisation before long, not all that far behind Courtaulds – the merger will give many of its competitors pause for thought.

Unigate

Unigate is a better-looking business than at any time in recent memory. In a year that was scarcely favourable to a producer of either milk or meat, Unigate managed to hold its dairy performance steady and produce profits of £5.1m out of meat, leaving aside Bowyers, which was sold last week. The conjunction was favourable: Unigate got into J. P. Wood at just the right time for poultry and the current churn of the UK pig cycle means that even Malton Bacon is making money. Still the image of managers plugging loss-making dykes like Dutch schoolchildren is a little out of date; while Unigate's cash generation and management, even with the dairy interests providing only half of profits, cannot be faulted.

Not that the prospect of a somewhat easier year at the dairy business – or the £4m improvement with the farewell to Bowyers – will turn Unigate into a growth business. Indeed, it would not be encouraging if Unigate moved into overdrive on acquisitions just at the point where all cylinders had begun to fire. It does seem, however, that there may be more to look at in Unigate than its prospective yield – which even at 171p, up 9p yesterday, is almost 8 per cent.

Japanese dealers

Yesterday's list of prospective gilt-edged market makers contained, as expected, not a single Japanese name. The official explanation for this strange state of affairs is that none of the Japanese securities houses was interested in applying. There may be something in this – Nomura has had an unhappy time in the U.S. bond market and the houses as a group have a limited UK client base. But it will not have escaped their attention that applications to the Bank of England have in the past been greeted with something less than rapture.

The Japanese houses seem little further forward in their quest for banking status in the UK than they did five years ago. Negotiations are allegedly log-jammed because of a failure on the part of the Japanese authorities to explain who regulates the houses and on the part of the houses themselves to clarify their intentions in the banking field. But underlying all this is the familiar problem of reciprocity; while the Bank of England's official line on the issue is characteristically muted, the members of the London Stock Exchange can be relied upon to make their views abundantly clear. The response to Japanese applications for membership of the exchange should be stimulating to say the least.

S. & W. Berisford

The acquisition of British Sugar may not have been such a bad idea after all. It is obvious, with the benefit of hindsight, that S. & W. Berisford paid too much for it. Three years ago its final offer valued British Sugar at £282m; last night, the combined group boasted a market capitalisation only £30m in excess of that. Yet, without the deal, Berisford might now be making almost no money at all.

In the six months to March, British Sugar's pre-tax profits fell by a fifth and still accounted for all but £4.3m of the £29m group total. And its strong asset base is quite a comfort in a group which clocked up interest charges of £39.4m during the six months. Even allowing for the high proportion of trade financing, Berisford is not exactly undergeared.

On paper, Berisford now looks the ideal takeover candidate. At 163p, the shares trade on just over six times prospective earnings – assuming a recovery to full-year profits of £65m before tax and exceptional credits – and yield 9.4 per cent on a well-covered dividend. For a group which should have passed the trough in both soft commodity trading and sugar refining, that is not expensive. With £75m of U.S. tax losses and a holding in RHM worth £60m, it is equally attractive as an asset break-up. Somehow no one has risen to the challenge. Perhaps Berisford's own directors, who understand the accounts better than anyone, should take up the gauntlet and propose a management buy-out.

Dealers for UK gilts market named

By John Moore in London

THE Bank of England yesterday named 29 financial groups as the dealers in a radically reformed market in British Government securities.

Already, in London there are mounting fears that the market will be too competitive and there will be huge losses. Since the original number of 31 potential dealers was indicated earlier this month Schroders, the British merchant bank, and Drexel Burnham Lambert, the U.S. securities house, have decided not to become dealers in the new market, which is expected to start functioning in its remodelled form in October 1986.

Mr Win Bischoff, chairman of Schroders, said yesterday that the group had taken the decision not to enter last week. He said he hoped that there would have been half the number of participants that have come forward. "We went in originally on certain assumptions which we made. But we do not believe we can meet these assumptions given the number of participants."

Among those coming forward as dealers in the new market are a number of interests of major U.S. financial groups. These include Bank of America, Chase Manhattan, Citicorp, Goldman Sachs, Merrill Lynch, Shearson Lehman/American Express, Morgan Guaranty and Salomon Brothers. In all more than £600m ($750m) of capital could be poured into the new market in British Government securities – known as the "gilt-edged" market. At present there is about £100m to £150m worth of capital in the market largely dominated by two British firms, Akroyd & Smithers and Wedd Durlacher Mordaunt.

Mr Roger Jospe, a senior executive vice-president with Drexel Burnham Lambert, said yesterday: "In view of the size of the total market, the number of players, the competitive aspect, and the capital and investment that it calls for, we had to make a judgment. It appears not to represent an adequate return on our proposed investment." Drexel had been holding talks with British stockbroker Quilter Goodison with a view to forming a joint venture. It is believed that Quilter Goodison was insisting that Drexel put up most of the capital into a joint venture 50-50 controlled subsidiary.

E.F. Hutton, the Wall Street securities firm which indicated earlier this year that it was interested in becoming a dealer in the new market does not appear to have made a formal application.

Following the announcement of the full list of dealers in the new gilt-edged market the Bank of England yesterday invited applications by July 12 at the latest from firms wishing to become stock exchange money brokers or inter-dealer brokers (a new type of intermediary in the gilt-edged market).

Full list, Page 6; Citicorp details London plan, Page 7

European steelmakers face cut in production quotas

BY PAUL CHEESERIGHT IN BRUSSELS

PRODUCTION QUOTAS for European Community steelmakers are being lowered for the third quarter, the EEC Commission announced yesterday.

In its analysis of the immediate prospects for the industry, the Commission noted the possibility of lower consumption throughout the industrialised world for the rest of the year and particularly in the U.S.

Community exports to the U.S. are tightly constrained by a series of export limitation agreements, which could be extended during a process of renegotisaion which will start soon.

The Community in any case controls imports of steel and these are expected to be 2.6m tonnes during both the current and the third quarters, a higher level than for any of the previous six quarters.

Employment levels in the industry have now stabilised overall, but estimates of supply and demand stretching into the medium term suggest that the industry will continue its contraction and that more job losses are inevitable over the next five years.

The sole exception to the lower production quotas is for wire rods where the quota has been set at the same level as for the current quarter. The improvement on this sector of the market has tended to outstrip others and prices have been steady.

Lower quotas are partly a reflection of the seasonal downturn in output caused by the summer holidays. The Commission is anxious not to be caught, as it was two years ago, by a collapse of the market and tends now to pitch the third quarter quotas cautiously.

At the same time, the level of demand from sectors like construction and motor manufacturers is uncertain, although the Commission expects consumption generally to remain steadier than it was in the same period of last year.

The Commission is prepared, however, to adjust the quotas if demand proves higher than presently expected.

The steelmakers are thought likely to produce 29m tonnes during the third quarter against an estimated 29.8m tonnes during the current quarter and 30.4m tonnes in the first quarter.

Consumption in the three months to September is expected to be 25.8m tonnes, down 1m tonnes from the present quarter and 27.32m tonnes in the first quarter.

In the face of slowing demand and tighter competition exports are slowing. For the current quarter they are estimated at 5.8m tonnes and could be the same in the third quarter. However, that is down from 6m tonnes in the first three months of the year and 7.38m tonnes in the last quarter of 1984.

EEC STEEL PRODUCTION QUOTAS ('000 tonnes)

	4th qtr 1984	1st qtr 1985	2nd qtr 1985	3rd qtr 1985
Hot-rolled coils	5675	4070	4328	3967
Cold-rolled sheet	3786	3576	3711	3329
Galvanised sheet	975	905	936	877
Other coated flat products	870	818	829	759
Reversing mill plate	1378	1293	1300	1255
Wide beams, sections	1127	1069	1122	1062
Wire rods	2835	2484	2570	2570
Reinforcing bars	1894	1709	1768	1737
Merchant bars	2356	2192	2199	2167

EEC grain prices set to fall

BY IVO DAWNAY IN BRUSSELS

EEC cereals farmers face an immediate 1.8 per cent cut in the prices paid for grains sold to the Community stores from tomorrow if the European Commission accepts emergency measures now being drawn up by its market managers.

The move openly defies West Germany's veto last week of any price cut on the grounds that the Commission is required under the Treaty of Rome to manage the markets efficiently.

It will be justified, however, as a temporary measure that can be reversed by means of rebates to farmers if a lesser price reduction, or no reduction at all, is finally agreed by farm ministers.

Although the step will regarded in some quarters as an aggressive posture, it will be presented in a conciliatory manner. The Commission will point out that some urgent action has to be taken before the new rape seed and durum wheat year begins on July 1, and other grains from this year's harvest seek sales to stores from August 1.

Furthermore, as actual payments for grain sold into intervention stores are not made, until four months after the sale, it can be argued that farmers may not suffer even a temporary loss of earnings if farm ministers' talks reach an early conclusion.

The 14 commissioners will debate the plan tomorrow and there is likely to be strong opposition from the two West German Commission members. But it is believed that the urgent need to prevent speculation in the markets will override these reservations, allowing the price reductions to got ahead.

Failure to take any action could lead to producers selling into intervention the moment harvests are reaped in order to avoid any reduction in prices later in the season. By enforcing the cuts immediately, and promising rebates if the final cereals price figure is higher, the Commission will maintain the incentive for farmers to look for sales in the open market.

Greeks 'failed to heed hijack warning'

BY MICHAEL DONNE IN GENEVA

THE GREEK Government was warned earlier this year by the world's airlines of their deep concern about inadequate security arrangements at Athens airport, but nothing was done to correct the matter before last week's hijack of the TWA aircraft from that airport.

Mr Rodney Wallis, director of security for the International Air Transport Association (Iata), which comprises 137 of the world's major airlines, said yesterday that as recently as April 29 the airlines serving Athens airport had written a letter to the Greek Prime Minister pointing out that security procedures at Athens airport were, in their view, inadequate.

They received a reply from the Greek Minister of Communications rebutting their claims and counter claiming that the Greek Government believed the security arrangements to be satisfactory.

Mr Wallis pointed out yesterday however that Iata had identified Athens airport as one of the worst in the world where security was concerned, following a survey of major airports that the association had been conducting regularly since the late 1970s when the air transport industry suffered a spate of hijackings.

The purpose of the survey has been to identify weaknesses in security checks, especially on embarking passengers. Checks are followed by a detailed report to the relevant government with recommendations for corrective action.

It was after this survey that the deficiencies in Athens were identified and reported to the Greek Government some time ago.

Nothing was done, and that inaction in turn led the board of airline representatives of close to 40 airlines serving Athens airport to write their letter of complaint to the Greek Prime Minister.

Mr Wallis said yesterday that the Iata survey had identified five other major international airports which fell below the standards of passenger security checks that Iata believed were essential for reasonable security.

He declined to name them, for obvious reasons, but commented that two were in the Far East and the others in the general African and Middle Eastern area.

Mr Wallis said that he now expected a considerable increase in the volume of international activity on security matters as a result of the TWA hijacking. He did not believe that any new international conventions outlawing hijacking and specifying severe penalties for those convicted of it, were necessary.

"We have enough conventions on this matter already," he said. "What we need to do is to get all the governments involved in international air transport to implement adequately the conventions we have."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	F	26	79	Malaga	C	23	73	Salzburg	R	13	55
Akrotiri	S	28	82	Faro	S	27	81	Malta	S	31	88	Seoul	C	25	77
Algiers	S	26	79	Florence	F	18	64	Manila	C	31	88	Singapore	C	32	90
Amsterdam	F	15	59	Frankfurt	F	14	57	Miami	S	30	86	Stockholm	C	17	63
Athens	S	30	86	Funchal	C	20	68	Milan	C	22	72	Strasbourg	F	18	64
Bahrain	S	38	100	Geneva	S	18	64	Moscow	C	15	59	Sydney	C	16	61
Bangkok	C	32	90	Gibraltar	S	22	72	Munich	F	15	59	Taipei	S	31	88
Barcelona	S	22	72	Guernsey	F	14	57	Nairobi	C	22	72	Tangier	–	–	–
Beirut	–	–	–	Helsinki	F	21	70	Naples	S	27	81	Tehran	–	–	–
Belgrade	T	12	54	H. Kong	S	30	86	New Delhi	S	37	99	Tel Aviv	S	29	84
Berlin	F	9	48	Innsbruck	F	13	55	New York	S	16	61	Tenerife	–	–	–
Biarritz	S	20	68	Inverness	C	13	55	Nice	S	23	73	Tokyo	C	22	72
Blackpool	C	14	57	Istanbul	S	28	82	Oporto	S	21	70	Toronto	R	25	77
Bordeaux	S	22	72	Jersey	F	15	59	Oslo	S	18	64	Tunis	S	31	88
Brussels	F	14	57	Jo'burg	S	17	63	Paris	F	18	64	Valencia	F	23	73
Budapest	R	13	55	Las Palmas	F	16	61	Prague	R	11	52	Venice	F	15	59
B. Aires	C	12	54	Lima	C	18	66	Reykjavik	C	13	55	Vienna	C	12	54
Cairo	S	35	95	Lisbon	S	24	75	Rio de J'o	S	27	81	Warsaw	C	13	55
Cape Town	S	22	72	Locarno	S	23	73	Rome	F	23	73	Zurich	F	15	59
Caracas	R	27	81	London	F	18	64								
Casablanca	–	–	–	Los Angeles	S	29	84								
Copenhagen	F	15	59	Luxembourg	F	14	57								
Corfu	S	28	82	Madrid	S	27	81								
Dublin	R	12	54	Majorca	S	27	81								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Maxwell comes to Sinclair's aid

Continued from Page 1

Sinclair Research, set up in 1979, is expected to report sales of around £100m for the year ended March 1985. Its financial problems are a result of very high stocks and a weakening home computer market. New products such as the pocket black and white television and the more expensive QL computer (£400) have been late and slow to generate revenues.

Last month, Sinclair Research was temporarily rescued by its main creditors, Timex and Thorn EMI, which agreed to a two month delay in payments of around £10m. In addition, the company's bankers, Barclays and Citicorp, increased Sinclair's borrowing limits.

Barclays, together with Sinclair Research's financial advisers N. M. Rothschild, started trying to raise between £10m and £15m in new finance from industrial and venture capital sources. One of the problems in raising the finance was the lack of accounts for the year just ended.

Earlier this year Sir Clive said the company had made a pre-tax profit of £7.9m – after exceptional provisions of £7.5m – on sales of £89.5m in the nine months to December 1984 which includes the peak Christmas selling period. At that point the company had stocks of £34m.

In spite of the gloomy predictions for the home computer market, Mr Robert Maxwell predicted yesterday that Sinclair Research would be profitable in the current financial year. The deal will require approval of the other shareholders in Hollis – Pergamon owns about 75 per cent of it – and will take about four to six weeks to go through.

Mr Maxwell said he was starting discussions with the creditors which he expected would "contribute to the saving of this national asset."

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday June 18 1985

Wachovia and First Atlanta plan merger

BY TERRY DODSWORTH IN NEW YORK

TWO of the leading banks in the south east of the U.S., Wachovia of North Carolina and First Atlanta of Georgia, are planning to merge in a move which takes swift advantage of a recent Supreme Court ruling in favour of regional banking.

The agreement will create a group with assets of $15.5bn, giving it a ranking of around 25th in the league table of U.S. banks. Net income of the joint group last year would have amounted to around $161m, putting it among the top 12 performers in the U.S.

Only a week ago, the U.S. Supreme Court threw open the door to a rapid expansion of regional banking combinations when it upheld laws permitting interstate banking mergers within New England. In the same ruling, the court declared against amalgamations involving banks from outside the New England region, a decision which is expected to give impetus to the development of regional interstate groups at the expense of large national banking organisations led by the New York money-centre banks.

The south-east has long been seen as an area that could develop large regional banking groups because a number of contiguous states have passed laws permitting cross-border mergers with states that have similar rules.

Sun Banks of Florida, for example, is currently in the process of merging with Trust Company of Georgia in another sizeable deal which would create a group of similar asset size to the proposed new Wachovia-First Atlanta organisation.

Under the terms of yesterday's agreement, First Atlanta shareholders are to receive 0.80 of a Wachovia share for each of their own shares. This values First Atlanta at around $734m, a substantial premium on its overnight market capitalisation of $641m.

First Atlanta shares jumped by $1½ in early trading yesterday to $26¾, valuing the company at around $680m, while Wachovia's share price fell by $1½ to $36, where the group is valued at $1.1bn.

Wachovia, which has 207 full service banking offices in North Carolina, earned $100m last year and is widely regarded as one of the better-managed regional banks in the U.S. Its return on assets of 1.28 per cent is almost twice the national average, and its 19.1 per cent return on equity last year was one of the highest in the country.

First Atlanta showed its determination to become part of an interstate group when it was involved in an abortive merger bid with South-east Banking Corporation of Miami last year. The company has 140 banking offices in Georgia, and achieved a return on assets of just under 1 per cent in 1984, while making net profits of $60.5m.

● First Union of North Carolina, the 49th largest bank in the U.S., has agreed to acquire Atlantic Bancorp of Jacksonville, Florida, in a share exchange estimated to be worth $496m.

1,300 layoffs at Data General

By Terry Byland in New York

DATA GENERAL, the U.S. computer group and a strong force in the desktop market, laid off 1,300 of its 18,000 workforce and warned that lower than expected sales may bring an operating loss for the June quarter. Hewlett Packard also disclosed that it will close down most of its U.S. facilities for one week.

Mr Ken Donaghue, a corporate manager at Data General, said that the weakness in orders first disclosed in February, has become "persistent" and shows no sign of improvement.

The job cuts will range throughout the company's operations, and will include 250 jobs outside the U.S. Data General employs around 5,000 in its international operations, which bring in about one third of sales. These will be the first workforce layoffs by the company.

In addition, the shutdown of the group's U.S. manufacturing plants for the July 4 holiday will be extended to eight days and additional shutdowns "may be necessary" later this year if demand continues to weaken.

Earnings tumbled from 56 cents to 34 cents a share in the second quarter of the current fiscal year, which runs to September 30.

Data General stock fell $1¾ to $31¾ in early trading.

Separately, Hewlett-Packard said it would close all its U.S. business facilities except sales and service offices during the short Fourth of July work week as a cost cutting measure.

COMPLEX SHARE STRUCTURES FEND OFF UNWELCOME TAKEOVERS

Swiss fear the foreign raiders

BY JOHN WICKS IN ZURICH

THE SPECTRE of unfriendly takeovers is at large in Switzerland. Companies are becoming increasingly nervous at the threat – real or imagined – of suddenly finding themselves controlled by competitors or even rank outsiders. Although there has been only a very small number of actual coups of that kind in recent years, apprehension is growing in board rooms.

Mr Thomas Schmidheiny, chairman of the international cement maker Holderbank, forecast last week that Europe would in the next few years be subject to a wave of corporate acquisitions.

Mr Schmidheiny pointed out that, unlike the U.S., Switzerland had no regulations demanding a timely statement as to the identity and intentions of an aspiring purchaser. "If a Swiss company does not take precautions in good time, it is therefore without protection against foreign takeover attacks," he added.

In fact, Swiss equity law offers two important instruments with which to maintain the status quo. One of those is the registered share, the owner of which is acknowledged as a shareholder for voting purposes only after entry into a share register. The other is the participation certificate (*Partizipationsschein*) or the less common but very similar dividend-right certificate (*Genusschein*) which confers no voting rights at all.

The registered share has been used mainly as a way of keeping Swiss companies Swiss. It became an established power in the market in the 1960s to ward off unwelcome incursions by U.S. groups and again in 1975 when the big banks used it to guard against any large-scale ownership by oil-rich Arabs.

Holderbank itself will take what it calls "reliable defensive action" next week when it asks its shareholders to approve the upgrading of voting rights for registered shares. Existing bearer shares would be bundled together into units of SwFr 500 ($191) face value, while registered shares remain at a nominal SwFr 100, each category entitling the holder to a single vote.

The same sort of move had been made in April by Hero, the food company. After rumours – which were never proved – that Saudi interests were after at least 25 per cent of the Lenzburg company's capital, the board said it would do "everything in its power to fight an unfriendly takeover." That consisted of splitting each bearer share of SwFr 600 nominal value into a new SwFr 400 bearer unit and two registered shares of SwFr 100 each.

Last month Nestlé, another foods group, also prepared to strengthen the registered element in its capital by launching a huge SwFr 300m warrant-bond issue in Switzerland, the warrants on every three bonds entitling holders to buy one registered share. That had been heralded in mid-1984 as a way to keep the Swiss majority in the company "at an acceptable level" – even though the growth in foreign ownership would here have come from the issue of participation certificates without voting rights.

Not that registered shares are used only to keep foreigners at bay. The Usego retail group is currently refusing registration of shares obviously held by Swiss interests – with possible links to a competitor – while similar blocking tactics were employed (unsuccessfully) in 1976 before the Bally shoe group was taken over by financier Mr Werner Rey and again in 1981 when the board of Ateliers de Constructions Mécaniques de Vevey temporarily banned the registration of additional shares bought by its own vice-chairman.

Apart from registered shares, the issue of participation certificates naturally helps to keep control unchanged, in that certificate bearers have no voting authority. At the end of last year, some 310 of the domestic equities listed on the Zurich stock exchange were participation certificates. Since then, there has been a considerable increase in certificate capital by both listed and unlisted companies. The Winterthur insurance company, which intends to ask shareholders for an approved issue of 200,000 new certificates at its June 27 annual meeting, says it is considering listing these on "further stock exchanges."

The future might well see a further increase, not least in connection with Swiss companies' own takeover plans. Earlier this month, a commission of the National Council, Switzerland's lower house, recommended a toning-down of the Government's proposals for a revised equities law. One of its suggestions was that companies could issue participation certificates without any limitation.

That may not be exactly conducive to shareholder democracy in democratically minded Switzerland, but it remains to be seen whether investors will care too much. At present, new participation certificates are selling like hot cakes: this month, an over-the counter issue by Agie Holding, the privately controlled machine-tool company, was sold out long before subscriptions officially opened – and is now being traded at well over three times the issue price.

First Chicago earnings hit by $51m Banco Denasa charge

BY OUR NEW YORK CORRESPONDENT

FIRST CHICAGO, the 10th largest banking group in the U.S., expects to see its second-quarter earnings virtually wiped out by a $51m charge related to problems at its Brazilian affiliate, Banco Denasa de Investimento.

The Chicago bank also revealed that it is stepping in to rescue Denasa by acquiring greater ownership, and is assuming management responsibility for the Brazilian business "in co-ordination with the Brazilian authorities."

"We believe that it was important for us, as a major international bank, to stand behind Banco Denasa and that we must bear the financial consequences of such support," said Mr Barry Sullivan, chairman of First Chicago, yesterday.

The Chicago bank, which took a $279m write-off against troubled domestic loans in the third quarter of last year, first revealed problems at Denasa earlier this year, when it wrote down $15.8m of its investment in the Brazilian company.

This write-off accounted for virtually all of the U.S. bank's 44.5 per cent investment in Denasa, but since then, extensive reviews of Denasa's portfolio and operations had uncovered "further deterioration in the cruzeiro credit portfolio," because of the severe strains on the Brazilian financial and property sector.

First Chicago's decision to move to the rescue of Denasa, apparently taken with the agreement of the Brazilian authorities, was based on the inability of the majority shareholder to add additional capital to cover the credit losses in the original portfolio, as required in its contract with the U.S. bank.

The $51m after-tax reserve, said Mr Sullivan, was meant to cover both the present and estimated future impact of Denasa on First Chicago's earnings.

"While the costs and experiences of our investment in Banco Denasa are a real disappointment, we continue to be encouraged by the momentum in the underlying fundamentals of First Chicago," Mr Sullivan said.

He added that basic operating earnings for the second quarter, ignoring the Denasa problems, had been very strong.

In the second quarter of last year, First Chicago earned $52.9m, and in the first quarter of this year recorded net income of $49.8m.

Kone buys control of Montgomery Elevator

BY OLLI VIRTANEN IN HELSINKI

KONE, the Finnish lift and hoist maker, is expanding further into the Canadian elevator business with the purchase of 51 per cent of Montgomery Elevator, formerly a wholly-owned subsidiary of Montgomery Elevator of the U.S.

The Canadian company had sales of C$40m (U.S.$29m) last year, having built up a 10 per cent share of the local elevator market. Kone, which recently acquired the elevator division of F. Drolet of Canada, had 1984 sales of C$640m.

Kone's profits, before allocations, for the first four months of 1985 are lower. Sales moved ahead by 22 per cent to FM 1.49bn with elevator sales, which account for more than half of total turnover, rising by 30 per cent.

CSFB acquires 45% of West German bank

BY OUR ZURICH CORRESPONDENT

FINANCIÈRE Credit Suisse First Boston, the Swiss holding company whose major subsidiary is the London merchant bank Credit Suisse First Boston, has acquired a 45 per cent stake in the former Effectenbank-Warburg, of Frankfurt.

The West German bank was taken over by Credit Suisse earlier this year from S. G. Warburg, of London, and Deutsche Effecten-Wechsel-Beteiligungsgesellschaft, a holding company controlled by the Voith industrial concern.

The Frankfurt bank, which has been renamed CSFB-Effectenbank, is to engage in Euro-DM issuing business and bond trading, as well as continuing its traditional activities as a full-service bank.

Exchanges bid to settle voting rights issue

THE NEW York Stock Exchange (NYSE), American Stock Exchange (Amex), and the National Association of Securities Dealers (NASD), have agreed to take up the one-share, one-vote issue at their July board meetings in an attempt to resolve the controversy over discrepancies in shareholders voting rights, AP-DJ reports from Washington.

The agreement came two days after lawmakers threatened to impose a uniform voting-rights standard on the NASD and the two exchanges as well as U.S. regional exchanges.

Senator Alfonse D'Amato and Congressman John Dingell (Democrat/Michigan) contend that the NYSE should retain its one-share, one-vote rule and reject a proposal to allow NYSE-listed companies to defend themselves against corporate raiders by issuing two classes of stock with unequal voting rights.

They want the Amex and NASD's automated quotation system for over-the-counter stocks to raise their company-listing standards to the NYSE's level.

NYSE officials fear that General Motors and other big companies will switch to the Amex or NASD markets unless the NYSE permits dual classes of stock.

Wall Street prices and report, Pages 31-34

BMW to limit export exposure

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

BMW (Bayerische Motoren Werke) will in future restrict its car sales in the U.S. because the West German group wants no export market to account for more than 15 per cent of total output.

At the same time the company intends to boost its market share in Germany from the current 7 per cent to 10 per cent.

BMW sold 71,000 cars in the U.S. last year, a 20 per cent rise on the 1983 level. In 1985 the group forecasts another increase, of 12.6 per cent, to 80,000.

It has been widely anticipated that BMW aims to reach 100,000 car sales in the U.S., but Dr Eberhard von Koerber, sales director, insists: "The present level is more than enough. 100,000 would be more than 15 per cent of our expected output for many years."

However, in West Gemany a market share of "anything up to 10 per cent" would be acceptable and would not disturb BMW's image of being a relatively exclusive marque.

Dr von Koerber points out: "Mercedes has 12 per cent of the West German market and, even with all those Mercedes taxis, is still considered an exclusive product. So BMW has a fair amount of room for expansion in the domestic market."

The company will produce about 450,000 cars this year, up from 432,000 in 1984 and well above the nominal level of capacity at its Munich factories.

A new plant, at Regensburg, also in Bavaria, will come on stream next year and, when in full production in 1988, should lift car output to about 550,000 a year.

The seven-week engineering workers' strike which brought BMW factories to a halt last year slowed the group's capital spending programme and investment fell from DM 860m ($279m) in 1983 to DM 670m.

Dr von Koerber says the company intends to claw back lost ground this year and capital spending should reach DM 1bn.

BMW also intends to pull forward its product development programme as much as possible. But Dr von Koerber maintains that new versions of the small, 3-series cars which will appear in the autumn are, if anything, a little late in making their appearance because of the strike.

Other BMW sources suggest the company will introduce at the Frankfurt Motor Show in September a diesel-engined 3-series, a convertible version, a four-wheel-drive model and a top-of-the-range 325 model to fill niches in the 3-series range.

INTERNATIONAL BONDS

Finnish bank in $100m FRN

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

KANSALLIS-Osake-Pankki, the Finnish bank, yesterday became the third borrower in the Euromarket to offer a $100m floating rate note with a maximum coupon.

Led by Salomon Brothers the deal employs the swap formula invented last week by Lehman Brothers to give the borrower funds at a final cost well below the London interbank offered rate for Eurodollar deposits (Libor).

At the same time the 12-year issue itself carries a generous margin of ¼ per cent over the three-month bid rate for deposits. This gave it considerable appeal to investors, who pushed the paper above its par issue price in early dealing.

Neither Salomon Brothers nor Lehman, who have also combined to launch a similar issue for First Interstate in the U.S. domestic market, would give any details of the formula yesterday, but it is understood that it involves the sale of the maximum coupon – of 13 per cent on the K.O.P. issue – to give interest rate protection to other borrowers along the lines of an option.

This would appeal for example to U.S. savings and loans institutions which have fixed rate mortage portfolios and face heavy losses at times of high short-term rates and when the yield curve is negative. The protection also has potential value for investment banks which carry a large inventory of fixed rate bonds on their books.

While other similar issues are expected in the Euromarkets soon, yesterday also saw the launch of a more conventional floating rate issue for Citicorp, led by its London investment banking arm.

This is a $250m, 12-year issue bearing interest at a margin of ⅟₁₆ per cent over the London interbank bid rate for Eurodollar deposits, but an unusual feature is that the borrower itself can choose between an interest period of one, three or six months.

That can obviously help it manage its funding costs, but it detracted from the appeal of the issue to investors and the paper traded yesterday afternoon slightly outside its total 40 basis point fees.

The fixed rate dollar Eurobond market saw some strong gains yesterday on the back of a strengthening New York market, but as usual Europe did not fully follow through on Wall Street's gain, and prices slipped back towards the close.

Federated Department Stores, the U.S. retail group which owns Bloomingdales, launched a $100m, 10⅛ per cent, 10-year issue at par through Goldman Sachs. The deal was generally well received initially, partly because the name carries considerable cachet, though it weakened later in line with the market.

Regarded as aggressive was a $100m, 10-year 10 per cent issue for Eurofima, the Basle-based company which finances European railway rolling stock. Merrill Lynch is leading the deal and priced it at par. Last night it was trading just within its fees, but Merrill would not comment on market talk that it had been supporting the issue in the unofficial "grey" market.

Motorola, the U.S. communications company, has meanwhile launched a seven-year 8⅜ per cent issue in the Ecu market. The amount is Ecu 50m and the issue, which is priced at 99¾, is led by UBS (Securities). This is the lowest coupon yet on an Ecu issue.

West Germany was closed yesterday for a public holiday and Swiss issues traded little changed. Expected soon is a dollar convertible issue for Viacom, the U.S. cable television concern. The deal is one originally scheduled for last October, but then postponed.

Peugeot raises $300m in Euromarket

By Our Euromarkets Correspondent

PEUGEOT, the French state owned car manufacturer is raising $300m in the Euromarkets through a seven-year loan facility led by Morgan Guaranty.

The company, whose credit rating has been improved recently through the announcement of sharply reduced losses in 1984, intends to use the deal to refinance an earlier, more expensive $400m revolving credit.

Its new deal, which carries a commitment fee of 15 basis points, will allow funds to be raised through the sale of short-term Euronotes denominated in dollars or Ecus as well as through the opportunity for participating banks to bid for short-term advances in a range of currencies.

If it draws on the back-up facility provided by its bankers under the deal Peugeot will pay a utilisation fee of 10 basis points on the first $100m, the fee will rise to 17½ points if up to $200m is drawn and 25 points on higher amounts.

The deal has an average life of six years, and is limited to $300m because Peugeot never drew fully on its previous deal, leaving $100m untouched.

INTERNATIONAL COMPANIES

French BP completes restructuring

BY PAUL BETTS IN MARSEILLES

SOCIÉTÉ *Française des Petroles* BP, the French subsidiary of British Petroleum, has now completed a major restructuring of its refinery operations in France designed to make them more cost effective.

The centrepiece of this restructuring has involved the construction of a catalytic cracker at BP's large refinery at Lavera near Marseilles. The cracker, which has just come on stream, represents an investment of FFr 1bn ($106m), making it one of the largest single foreign investments in France in recent years.

Sir Peter Walters, BP's chairman, said during a visit of the Lavera plant that BP's downstream strategy had entailed a reduction in the company's refining capacity in Europe and the restructuring of refineries to meet the new demand patterns of the oil products market.

The *construction of the* FFr 1bn cracker at Lavera was justified because of the increase of petrol consumption at a time when other oil products were declining, M Hubert Jacqz, president of BP's French subsidiary, said.

BP has now closed three refineries in France and has concentrated the bulk of its operations at Lavera. From more than 15m tonnes of annual refining capacity a few years ago, BP's French refining capacity has now been reduced to about 8.5m–9m tonnes a year. From a peak of about 7,000 people in the early 1970s the French subsidiary now employs about 3,800 people.

BP is also cutting back to one its refineries in the UK and West Germany.

The French subsidiary of BP is one of the first major oil refiners in France to restructure its operations. The company now believes it has one of the most cost effective operations in the French refinery industry.

However, the restructuring efforts have so far not been translated on the company's bottom line in France, with the group's financial performance failing to match the company's hopes and expectations, according to Sir Peter Walters.

The French *subsidiary* had a trading loss of FFr 351m last year compared with a trading loss of FFr 93m the year before. Thanks to extraordinary gains and the use of currency translation loss provisions, it was able to show a break-even in its net earnings figures for 1984. Sales last year rose to FFr 23bn from FFr 21.4bn in 1983.

Like other refiners in France, BP *has suffered* in the past from the French Government's pricing formula for oil products. However, the Government has since liberalised petrol prices in France, and only heating fuel prices are still regulated by the formula. BP also believes it has now done "its bit" in Sir Peter's words, in cutting back excess capacity in its refineries in Europe and France.

BP is now also investing FFr 350m at its chemicals complex near Lavera to build a polyethylene production unit due to come on stream at the end of this year.

At Lavera, BP is now discussing possible collaboration with Atlantic Richfield of the U.S., which is envisaging building a FFr 2.5bn plant to produce additives for lead-free petrol.

BP could supply the new Atlantic Richfield plant with feedstocks, while the U.S. company could in turn supply BP with additives

U.S. oil group considers sale of printing unit

By Our Financial Staff

MOBIL, the U.S. oil major, which is acting aggressively to cut back on non-oil operations, is considering the possible sale of its W. F. Hall Printing Company subsidiary.

Mobil said a number of companies had expressed an interest in acquiring the unit, which has seven U.S. printing plants, employs about 3,000 people, and prints and binds catalogues, magazines and paperback books.

The oil company said the subsidiary was being evaluated "in connection with the ongoing study of the deployment of certain Mobil assets." Goldman Sachs, the Wall Street investment bank, had been retained to advise Mobil, which said yesterday that "assuming that appropriate value can be realised, Hall will be sold."

Mobil would not elaborate on a possible sale price. W. H. Hall, which is a leader in high-speed colour printing, is part of Mobil's paperboard packaging activities, which last year had revenues of $2bn and pre-tax operating profits of $80m.

Mobil's diversification out of oil is now being reversed after major disappointments in recent years. Earlier this year the company took a $500m writeoff on Montgomery Ward, its department store chain, to make the company more attractive to potential purchasers.

Yesterday Stop & Shop, the Boston-based retailer, said it agreed to buy 18 Philadelphia area Jefferson Ward stores from Montgomery Ward. Terms were not disclosed.

Last month Mobil sold some of its mining interests – 53 per cent of McIntyre Mines and 7.8 per cent of Falconbridge – to Dome Mines of Canada in a C$160m (U.S.$117m) deal.

Chronar sets up French joint venture

By Paul Betts in Paris

CHRONAR Corporation, a U.S. based high-technology company which specialises in photovoltaic solar energy systems, is setting up a FFr 100m ($10.6m) joint manufacturing venture in France with a number of major French partners including Grands Moulin de Paris, Sofirem (a subsidiary of Charbonnage de France, the French coal board) and some financial institutions.

The Princeton-based group will own 51 per cent of the joint venture, which is due to start operations at a new facility in Lens in northern France in the first quarter of next year.

The French plant will be the third Chronar manufacturing facility. The company has a plant in New York and a recently opened facility in Wales. The new French investment will bring Chronar's manufacturing capacity up to 3 MW of photovoltaic panels a year.

Chronar's main competitors are Japanese groups which are already well advanced in the production and marketing of so-called amorphous silicon photovoltaic technology. Chronar hopes to use its new French base to export its products to French speaking parts of Africa as well as selling in the French and other European markets.

U.S. Quarterly Results

McDERMOTT INTERNATIONAL
Marine construction, power equipment

Fourth quarter	1984-85 $	1983-84 $
Revenue	889.9m	720.7m
Net profits	†42.9m	†10.3m
Net per share	—	—
Year		
Revenue	3.23bn	3.09bn
Net profits	30.7m	120.9m
Net per share	0.83	3.06

† Loss.

PAYLESS CASHWAYS
Freight services

Second quarter	1984-5 $	1983-4 $
Revenue	376m	301.3m
Net profits	13m	11.5m
Net per share	0.39	0.36
Six months		
Revenue	631.4m	509.9m
Net profits	14.6m	14.7m
Net per share	0.44	0.46

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 17.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amex Credit 10⅞ 90	100	102½	103	+0¼	+0½	10.33
Amex Credit 12⅜ 88	150	107¼	107¾	+0¼	+0⅛	9.83
Bank of Tokyo 13⅜ 91	100	114¼	114¾	+0⅜	+0¾	10.28
BP Capital 11⅛ 92	150	102¾	103¼	+0⅜	+0½	10.45
Caisse Nat Tels 13¾ 91	100	114¾	115¼	+0⅝	+0⅝	10.28
Canada 11½ 90	500	106⅝	107⅛	+0⅜	+0¾	9.81
Canadian Pac 12½ 99	75	108½	109	+0¼	+4¼	11.22
CBS Inc 11⅝ 92	100	103⅛	103⅝	+0¼	−1⅜	10.67
Chevron U.S.A. 12¼ 89	600	105	105½	+0⅜	+1	10.60
Coca Cola 11¾ 91	100	106⅛	106⅝	+0⅜	+0⅝	9.88
Denmark Kingdom 11½ 90	100	103¾	104¼	+0¼	+0⅝	10.41
Denmark Kingdom 11½ 92	100	103⅝	104⅛	+0⅜	+0¾	10.65
Denmark Kingdom 13¼ 91	100	111¾	112¼	+0⅜	+1¼	10.51
Denmark Kingdom 14 91	100	110½	111	+0⅞	+0¾	11.44
E.E.C. 11⅛ 90	100	103¾	104¼	+0⅜	0	9.97
E.I.B. 12 95	200	108⅛	108⅝	−	−	10.42
E.I.B. 13 96	200	111¼	111¾	+0⅜	+0¾	11.14
Export Dev Corp 12 89	100	106¾	107¼	+0½	+1	9.91
Exxon Capital Corp 0 2004	1800	13⅜	13⅞	+0⅛	+0¼	10.81
Ford Motor Cred 11⅜ 95	100	102¾	103¼	+0½	+1	11.00
Ford Motor Cred 11¾ 92	100	104¾	105¼	+0¾	+1⅜	10.67
Gen Elec Credit 10¼ 98	200	100⅞	101⅜	+0¼	+1	10.16
GMAC 10¼ 89	200	100⅞	101⅜	+0½	+1⅛	9.98
IBM Credit 10⅜ 2000	300	101⅝	102⅛	+0½	+1	10.11
IBM Credit Corp 11¾ 87	200	104⅝	105⅛	+0¼	+0¼	9.24
Indust Bk Japan 12⅞ 89	100	108⅜	108⅞	+0⅜	+0¾	9.98
Int-Am Dev Bk 12¾ 91	150	110⅜	110⅞	+0½	+1⅜	10.26
Japan Air Lines 13⅜ 94	100	118½	119	−0⅛	+0¾	10.12
Kellogg Company 10⅞ 90	100	103	103½	+0⅜	+1	9.92
Kellogg Company 11¼ 92	100	104⅛	104⅝	+0⅜	0	10.27
L.T.C.B. 12⅞ 91	100	110¾	111¼	+0⅜	+0⅞	10.40
Macy Cred Corp 11¾ 95	100	106¼	106¾	+0⅜	+1	10.62
Mellon Bank 13 87	100	106¼	106¾	+0½	+0⅞	9.54
Merrill Lynch 12¾ 89	100	105⅞	106⅜	+0¼	−0⅛	10.85
Minnesota 11½ 87	100	103½	104	+0¼	+0½	9.57
Mitsui Trust 11⅞ 90	100	104⅜	104⅞	+0⅜	+1¼	10.39
Montagu 13¾ 91	100	108⅞	109⅜	+0½	+1½	11.11
Morgan Guaranty 12⅝ 89	150	107¼	107¾	+0⅛	+0⅝	10.11
Nippon Cred Bk 13⅞ 89	100	111¼	111¾	+0⅛	+0⅞	10.25
Nth America 12⅞ 91	100	† 106½	107	+0¼	+0½	11.29
Penney J.C. 12¾ 91	100	108¼	108¾	+0⅛	+0⅜	10.88
Pru Realty secs 12⅝ 95	546	100⅝	101⅛	+0¼	−0¾	10.58
Quebec Hydro 11½ 92	100	105¼	105¾	+0¼	−0¾	10.19
Ralston Purina 11¾ 95	150	106¼	106¾	+0⅜	+0¾	10.64
Ralston Purina 12¾ 89	100	108½	109	+0⅜	+0⅞	10.11
Royal Bk Can 12¼ 92 XW	100	102⅝	103⅛	+0⅜	+0½	12.08
Saskatchewan 10 3/4 92	100	101¾	102¼	+0⅜	+0¾	10.39
Saskatchewan 11 7/8 89	100	105¼	105¾	+0⅜	−0⅜	9.94
Statoil 13½ 89	100	111½	112	+0⅝	+0¼	9.86
S Wales Tcy 11¾ 98	150	105¾	106¼	+0⅜	+0½	10.11
Swed Exp Cred 12¾ 89XW	100	107¼	107¾	+0⅜	+1	10.43
Sweden Kingdom 10⅞ 90	200	102⅞	103⅜	+0½	+0⅞	10.03
Sweden Kingdom 11⅞ 89	200	105⅛	105⅝	+0⅜	+0⅝	9.92
Sweden Kingdom 11¾ 94	100	107	107½	+0¾	+1	10.48
Texaco Capital 12⅞ 87	300	105⅞	106⅜	0	+0¾	9.61
Tokai Asia 11⅛ 95	100	104⅛	104⅝	+0½	+0¾	10.76
Victorian Rep 11⅝ 92	150	105¾	106¼	+0⅜	+0⅞	10.35
Walt Disney Pro 12⅛ 87	150	105½	106	+0½	+0⅛	9.83
Weyerhaeuser 12¼ 87	150	104⅞	105⅜	+0½	+0⅞	9.83
World Bank 12¼ 94	150	110⅝	111⅛	+0¾	+1½	10.36
World Bank 12⅞ 94	200	113⅝	114⅛	+0¾	+1	10.44

Average price change On day +0⅜ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 8 94	200	*102¾	103¼	−0⅛	0	7.53
Austria Republic 7⅝ 94	200	*102½	103	0	0	7.18
Baxter Travenol 7¾ 94	200	*101⅝	102⅛	−0⅜	−0⅛	6.95
Credit National 8⅛ 94	200	*104¼	104¾	0	−0⅝	7.39
Degussa Int Fin 7⅛ 94	100	*103⅝	104⅛	−0¼	−1	6.88
E.E.C. 8 92	200	*103⅝	104⅛	−0⅛	−0¼	7.29
E.I.B. 7¾ 94	300	*99⅞	100⅜	+0⅛	+0¼	7.22
Escom 8 92	150	†*99¼	99¾	−0¾	−0⅞	8.09
Ferrovie Dello Stato 8 91	100	*103¾	104½	−0⅜	+1⅜	7.18
Finland Republic 7 92	200	*99	99½	−0⅛	0	7.14
Gould Int Fin 7⅝ 91	100	*103¼	103¾	0	−0⅜	6.88
Ireland 8⅛ 92	150	*102¼	102¾	−0¼	−0½	7.64
Japan Fin Corp 7⅝ 91	100	*102⅝	103⅛	−0⅜	−0⅞	7.02
Mitsubishi Hvy 3½ 89WW	300	*115¼	116¾	−4	+2	−0.08
Mitsubishi Hvy 3½ 89XW	300	*90½	91¼	−0⅜	−0⅜	6.44
Mitsubishi Met 3⅛ 89WW	100	*99	100	−0½	−0¼	3.24
Mitsubishi Met 3⅛ 89XW	100	*86½	87¼	−0⅜	+0½	6.58
Pepsico O/S Fin 7¾ 94	250	*102½	103	0	+0⅜	6.81
Rank 7¾ 95	100	*106⅜	106⅞	+0⅛	+0½	7.05
Renown 3⅛ 90	80	*104⅞	105⅝	−0¼	0	2.02
Reynolds O/S Fin 7⅞ 94	125	*102¾	103¼	−0¼	−0¼	7.02
Societe Cent Nuclear 8 91	100	*103¾	104¼	0	0	7.18
Sth African Tran 7⅞ 92	100	*95⅜	95⅞	+0⅛	−0⅜	8.24
World Bank 7¾ 89	100	*102⅛	102⅝	+0⅛	0	6.97
World Bank 8 94	200	*105	105½	0	+0⅜	7.16

Average price change On day −0½ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev Bk 6¼ 94	100	† 101¼	101½	0	0	6.05
Asian Dev Bank 6⅛ 95	100	† 101	101¼	−0¾	−0¾	5.86
Avon Cap Corp 5⅝ 94	130	† 98¾	99	+0¼	+0¼	5.53
Brit land Comp 6½ 99	75	† 103	103¼	0	0	6.16
Council of Europe 6 92	120	† 101¾	102	+0¼	+0¼	5.68
Creditanstalt 5½ 94	100	† 98¼	98½	+0¼	+0¼	5.72
Deutsche Bk Fin 5⅝ 95	100	† 100¾	101	−0¼	−0¼	5.25
E.I.B. 5⅞ 94	120	† 101¾	102	+0¼	+0¼	5.61
Eurofima 5 97	100	† 98½	98¾	−0¾	−0¾	5.16
Eurofima 5¼ 96	100	† 100½	100¾	0	0	5.17
Export Dev Corp 5⅝ 92	125	† 100	100¼	−0¼	−0¼	5.35
First Boston Inc 5¾ 94	60	† 100½	100¾	−0½	−0½	5.66
Gen Occidentale 4½ 94	80	† 102	102¼	−1¼	−1¼	4.22
I C Industries 5⅜ 94	125	† 100	100¼	−0½	−0½	5.69
Ind Fund Fin 5¾ 94	40	† 100¼	100½	0	0	5.68
Int-Am Dev Bk 6⅛ 94	120	† 102	102¼	0	0	5.82
New Zealand Govt 5¾ 94	150	† 102½	102¾	0	0	5.38
N.Zealand steel 5¾ 96	70	† 98¼	98½	+0¼	+0¼	5.82
Oberos Khwk 5⅜ 95	100	† 98¼	98½	−0½	−0½	5.59
Ost Donaukraft 5⅜ 95	70	† 98¾	99	−0½	−0½	5.52
Ralston Purina 5⅝ 94	125	† 99¾	100	+0⅜	+0⅜	5.39
Santos Finance Ltd 6 94	130	† 95½	95¾	0	0	6.19
Tokyo Elec Pwr 5½ 93	120	† 99¾	100	0	0	5.51
Tokyo Metropolis 5¼ 94	80	† 98¼	98½	−0½	−0½	5.47
World Bk 5¾ 94	150	† 100	100¼	−0¾	−0¾	5.73

Average price change On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Austria Republic 7 95	30	99½	100	0	+0½	7.03
BP Overzee 7 92	17	100⅝	101⅛	+0⅛	+0½	6.93
Fed Natl Mort 6⅞ 92	50	98⅝	99⅛	+0⅛	+0½	7.05
Finland Republic 6¾ 90	15	99⅜	99⅞	+0⅛	+0¾	6.86
World Bank 6⅝ 90	25	99⅝	100⅛	+0⅛	+0¾	6.65

Average price change On day +0⅛ on week +0⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 12¼ 97 C$	125	† 105⅞	106⅜	−0⅛	+0⅜	11.27
British Columbia 12 90 C$	125	† 104	104½	+0¼	+0⅜	10.88
Can Nat Rail 12½ 95 C$	100	† 107	107½	+0¼	+0½	11.33
Chrysler Cred 12⅜ 92C$	60	† 103⅜	103⅞	+0⅛	+0⅛	11.62
Desjardins 12½ 90 C$	50	† 103¼	103¾	+0¼	+0½	11.52
E.I.B. 12 95 C$	75	† 103	103½	0	+0½	11.43
New Brunswick 11⅝ 95C$	75	† 101⅜	101⅞	+0⅛	+0½	11.34
N.Z Govt. 9¾ 90 ECU	100	100⅝	101⅛	−	−	9.55
N.Z Govt. 9½ 92 ECU	100	100½	101¼	−	−	9.32
Rabobank 9⅜ 95 ECU	75	100¾	101½	0	−0⅛	8.97
Eurofima 7½ 92 FL	50	100⅞	101⅜	+0¼	+0¼	7.28
Philips Lamps 7½ 90 FL	100	101¾	102¼	0	0	6.99
Rank Xerox 8 90 FL	100	102¾	103¼	+0⅛	+0⅛	7.26
Van Lanschot 7½ 90FL	50	100⅞	101⅜	+0⅛	+0⅛	7.22
World Bank 7½ 90 FL	150	100⅞	101⅜	+0¼	+0¼	7.21
Gaz de France 11¼ 00FF	500	100⅜	100⅞	0	−0⅛	11.35
American Brands 12 95 £	40	103⅝	104⅛	0	+0⅛	11.38
Amer Express 11⅝ 92 £	30	103	103½	−0⅛	+0⅛	10.88
Australia Comm 11 92 £	40	98¼	98¾	0	0	11.31
BP Capital 10¾ 92 £	50	97¾	98¼	−0⅛	+0⅛	11.14
E.I.B. 11⅛ 93 £	50	99¾	100¼	+0⅛	+0¼	11.11
Inco 12¾ 93 £	50	101¾	102¼	+0¼	+0⅜	12.28
Mcdonalds 10⅞ 90 £	40	98⅝	99⅛	+0⅛	+0¼	11.17
Norsk Hydro 11⅜ 91 £	50	101¾	102¼	0	+0⅛	11.10
Privatbanken 11⅞ 92 £	20	99⅝	100⅛	−0⅛	+0¼	11.88
Rank Xerox 11 92 £	40	99⅜	99⅞	+0⅛	+0⅜	11.28
Royal Trustco 11⅛ 90 £	30	99½	100	−0¼	−0⅛	11.42
Star Drug Cap 10⅞ 90 £	30	98	98½	−0⅛	0	11.34
Swed Exp Cred 11⅛ 92 £	50	100	100½	−0¼	0	11.20
Trusthouse Forte 11⅛ 90£	50	97⅜	97⅞	0	+0¼	11.77
World Bank 11¼ 95 £	100	100¼	100¾	+0⅛	+0¼	11.16
E.C.S.C. 10½ 94LF	100	104⅞	105⅞	−0½	−0⅜	9.58
Nat Lux Alum 10½ 92 LF	600	105¾	106¾	+0⅛	+0⅜	9.26

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100½	100¾	11/10	9⅝	9.57
Banco di Roma 5¼ 92	0	100	100¼	24/6	7.38	7.37
BankAmerica O/S 5¼ 96	0⅛	100	100¼	28/6	8.81	8.80
Bank of Montreal 5 96	0⅛	100⅝	100⅞	29/7	9¾	9.68
Bankers Trust 5 2000	0	99¾	100	11/6	9.81	9.82
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	10/8	8.56	8.54
B.F.C.E. 5¼ 99	0⅛	100⅝	100⅞	13/9	10.06	9.99
B.N.P. 5¼ 95 (July)	0¼	100⅛	100⅜	22/7	9⅛	9.10
C.C.F. 5¼ 97	0	99⅝	99⅞	22/6	10⅝	10.65
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/6	9.00	9.00
Citicorp O/S 5¼ 96 Sep	0⅛	100¼	100½	19/12	11.19	11.15
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.80	9.82
Dresdner Fin 5¼ 99	0	100	100¼	25/6	9⅜	9.36
Ireland 5¼ 97	0	100½	100¾	26/10	9.40	9.43
Ireland 5¼ 99	0	100⅝	100⅞	14/9	10	9.99
Italy Republic 5 94	0⅛	100⅛	100⅜	12/11	8⅞	8.85
Lloyds Euro 5 2004	0⅛	100¼	100½	18/10	9⅛	9.08
Midland Int Fin 5 99	0⅛	100⅜	100⅝	8/7	10.44	10.39
Nat West-Perp 5 99	0⅛	100⅞	101⅛	13/11	9⅞	9.83
Queensland Coal 5¼ 96	0¼	100½	100¾	12/11	9	8.94
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	2/8	12.81	12.91
Societe Gen 5¼ 95	0	† 100¾	101	12/10	9½	9.42
Sweden Perp 5⅞ 85	0¼	100	100¼	9/7	9.44	9.43
Tokai 5¼ 99	0⅛	100⅝	100⅞	12/6	9.94	9.88
Toyo 5¼ 99	0⅛	100⅜	100⅝	14/6	9.81	9.78

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	96⅝	97⅝	−0⅜	−1.27
Fanuc 3¾ 98	1/84	7032.3	143⅛	144⅝	−0¼	36.32
Fujitsu 3 99	5/84	1320.9	82½	83½	−0⅛	17.41
Kumagai Gumi 3½ 2000	3/85	600	114⅞	115⅞	+0⅛	3.49
Marui 3½ 99	7/84	1162	100	101	+1	0.32
Mitsubishi Elec 2⅞ 00	3/85	422	92⅝	93⅝	+0⅛	−2.61
Murata 3½ 99	2/84	2351.2	96¼	97¼	−1¾	24.78
Murata 3½ 2000	7/84	2398	94⅞	95⅞	−1¼	25.37
Nippon Elec 2⅞ 2000	1/85	1295	83¾	84¾	−0½	26.06
Nippon Oil Co 3 2000	5/85	923	104	105	+3⅜	8.31
Nippon Oil Co 3¼ 99	3/84	1052	91½	92½	+3⅜	15.90
Oki Elec Ind 3½ 99	10/84	805	89⅛	90⅛	−0⅜	27.06
Orient Leasing 5¼ 98	6/83	2680	106	107¼	−1⅞	−8.14
Sekisui House 3 99	6/84	612	111½	112½	+1⅛	2.80
Sony Corp 2 2000	5/85	4578	87¾	88¾	−0¼	−0.48
Sumitomo Corp 2⅞ 99	5/84	593	121⅜	122⅜	+0¾	−0.59
Taiyo Yuden 3¼ 2000	3/85	1078	87⅞	88⅞	−0¼	−1.27
Takeda Riken 3⅝ 2000	10/84	7883	81	83	−1½	16.16
Tokyo Sanyo Elec 3½ 99	12/84	772	86⅞	87⅞	+0⅛	0.46
Toshiba Ceramics 3 2000	4/85	1734.2	83⅛	84⅛	−1¾	−1.44
Nippon Oil Co 2⅝ 92 SF	3/84	1052	† 106½	107½	+3¾	13.73
Nippon Shinpan Co 2 92 SF	3/84	801	† 104½	106½	+1⅜	15.85
Settsu Paper 2¼ 92 SF	4/84	677	† 133	135	−17	−8.40
Asics 5 92 DM	12/83	520	† 106¼	107¼	−1⅜	21.04
Sam Realty 6¼ 92 DM	2/83	338	*271¼	272¾	+8	−1.43

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Malaysia acts to calm bank fears

BY WONG SULONG IN KAULA LUMPUR

THE MALAYSIAN Government acted yesterday to reassure that the country's banking system was financially sound following a run on Public Bank, the fourth largest domestic bank.

Mr Diam Zainuddin, the Finance Minister, said in a statement that Bank Negara, the central bank, had been monitoring the banking sector closely and there was no cause for a run on the bank.

Early yesterday, several thousand nervous depositors rushed to the two branches of Public Bank in Ipoh City, 150 miles (240 km) north of Kuala Lumpur, to withdraw their money on rumours that the bank was involved in the recent collapse of Overseas Trust Bank in Hong Kong, and was having trouble with several hundred million ringgit (upwards of U.S. $200m) in non-performing loans.

Until late last night, hundreds of people were still queueing at the two branches to withdraw, and the bank stayed open beyond normal hours to meet their needs.

Public Bank shares were the most actively traded yesterday on the Kula Lumpur Stock Exchange, although they fell just 3 cents to M$1.49.

Miss Patricia Teoh, the bank's senior general manager, issued a statement denying that the bank or its directors or major shareholders had any links with OTB. She said Public Bank was one of the most liquid, with a loan to deposit ratio of less than 70 per cent compared with the industry's average of 90 per cent.

In recent weeks, there has been growing unease among Malaysian businessmen over the health of the banking industry following reports that several banks are having problems with their non-performing loans.

Several banks lent heavily to a few select clients during 1982-84 to buy property and shares. The value of which has since declined sharply. Some investors are now having difficulty in servicing interest

Banking officials said the authorities had decided to defer enforcing a directive on non-performing loans, issued by Bank Negara last September.

The loan problems of one bank, Perwira Habib Bank, have been highlighted recently with news that three senior executives have been asked to resign, after an inspection by Rank Negara revealed discrepances in many of its loans.

Perwira Habib is a joint venture between the Habib Bank of Pakistan and the Malaysian Armed Forces Co-operative Fund.

The collapse of Overseas Trust Bank, which is controlled by Malaysian Chinese, has served to increase uneasiness about Malaysian banking. The industry is still reverberating from the Bank Bumiputra loan scandal, in which Malaysia's biggest bank lost Nearly U.S.$1bn to Hong Kong property speculators in 1980-83.

Bank Bumiputra is now part of Petronas, the national oil company, folowing a rescue operation last September.

Public Bank was set up in 1966 by Tan Sri Teh Hong Piow, the current executive chairman,

It has a paid-up capital of M$210m, shareholders' funds exceeding M$314m, total deposits of M$4.15bn, loans of M$2.37bn and total assets of M$4.7bn as at June 1984. Net profits in the six months to that date were up 8 per cent to M$20.2m.

Credit line arranged to support Ka Wah

BY DAVID DODWELL IN HONG KONG

HONGKONG and Shanghai Banking Corporation and the Bank of China have made available a "substantial line of credit" to Ka Wah Bank, a smaller Hong Kong bank, after "extensive discussions" extending over the territory's three-day holiday week-end, according to a statement last night.

The credit line comes after a week of rumours over Ka Wah following the collapse—and subsequent Government rescue—of Overseas Trust Bank (OTB) at a potential cost to local taxpayers of more than HK$2bn (US$257m). It is understood to mark the first occasion on which the Bank of China has been party to a support operation of this kind.

Agreement by the territory's two most powerful banking forces to provide this unquantified standby support comes after a week-end during which an audit team from Hongkong and Shanghai worked in the headquarters of Ka Wah to make an independent assessment of the bank's liquidity position.

Executives of Ka Wah invited the team on to their premises because they feared that persistent rumours that the bank was in difficulties might generate a self-fulfilling prophecy that led to genuine liquidity problems.

Last night's statement amounts to a clean bill of health for Ka Wah, according to local observers. More significant, the unprecedented decision by the Bank of China to make a public gesture of support was a measure of the bank's increasing significance in the territory, and a signal of its commitment to maintaining stability in the territory between now and the 1997 hand-over. As a measure of the Bank of China's growing influence, it won in February this year a place on the influential banking advisory committee. The only other permanent members are Hongkong Bank and Chartered Bank.

In a joint statement, Hongkong Bank and the Bank of China said they were concerned "at the effects of rumours which have caused the Ka Wah Bank to take precautionary steps to improve its liquidity."

Rumours over Ka Wah triggered fresh selling pressure on Hong Kong's stock markets last Friday, with the Hang Seng index, the territory's leading stock market indicator, losing almost 41 points. It ended the week at 1,441.97—more than 200 points below the level reached before OTB collapsed eight days ago. The statement last night was intended to bolster confidence as the markets re-opened today.

It is also aimed at settling the jitters in the banking community. Ka Wah—which is controlled by the family of Mr Low Chung Song, a Malaysian who lives in Singapore—is smaller than OTB, with a network of 27 branches in the territory.

Dai-Ichi first to strengthen capital base

DAI-ICHI KANGYO Bank has announced a share issue, the first of Japanese commercial banks to do so following Finance Ministry approval for measures to strengthen the banks' capital base.

It plans to offer 20m new shares next month at around current market levels to raise some Y30bn ($120.5m). The bank said yesterday it also planned to issue about $100m in convertible bonds within the next six months.

Ministerial approval for such moves at once forms part of the trend towards a more liberal financial regime

The other four largest banks—Sumito, Mitsubishi, Fuji and Sanwa—are expected to launch share or bond issues soon.

● The Finance Ministry yesterday opened up a range of Euro-yen bond instruments which will now be available to foreign borrowers. They include floating rate notes as well as zero-coupon, deep discount, currency conversion and dual currency bonds. Maturities must exceed five years.

NZ investment group pays A$58m for Hooker stake

BY OUR FINANCIAL STAFF

CHASE CORPORATION, a quoted New Zealand investment company, yesterday emerged as the buyer of a 19.9 per cent stake in Hooker Corporation, one of Australia's biggest property concerns.

Chase paid A$58m (US$38.3m) for the Hooker holding of Mr Lee Ming Tee, a former Malaysian businessman now based in Sydney. The Auckland company said it had funded the deal in part by a placing of 5m of its own shares at NZ$4 each.

Above the 15 per cent level, the purchase of the stake is subject to Australian regulatory approval. Chase has existing involvements in Australian property through a 50 per cent ownership of Jonray Holdings.

● Rothmans Holdings, a 50 per cent subsidiary of Rothmans International of the UK, yesterday increased its bid for Allens Confectionery of Australia to A$61.3m. This matches a joint bid by Jack Chia (Australia) and the Lieberman family of Melbourne.

Taiwan indicts 87 in bank case

A TOTAL of 87 people were indicted yesterday on charges relating to Taiwan's largest bank scandal, Reuter reports from Taipei.

They were all senior executives of the Cathay group, one of Taiwan's largest. Charges include forgery, embezzlement and falsifying financial statements.

The scandal broke in February after runs at the Tenth Credit Co-operative Bank and its sister bank, Cathay Trust and Investment. More than US$650m was withdrawn in three weeks.

Four government officials arrested in connection with the scandal would be charged separately, pending a thorough probe into alleged involvement by senior officials.

Sime Darby shuffles edible oil offshoot

By our Kuala Lumpur Correspondent

SIME DARBY, the Malaysian conglomerate, yesterday announced the sale of Kempas Edible Oil (KEO) to Consolidated Plantations (Consplant), its 62.5 per cent subsidiary, for nearly M$180m (US$74m).

Sime said the deal formed part of its policy to place its plantation interests under Consplant, and added that the proceeds of the sale would improve its own liquidity and enable it to diversify into other businesses.

KEO owns 9,366 hectares of plantations in Johore and Malacca states, and operates one of the biggest palm oil refineries in Malaysia.

The cash-rich Consplant said it would pay for KEO from its reserves, which had been boosted in recent years by profits from good commodity prices and the sale of land to various government agencies for industrial and development purposes.

UK COMPANY NEWS

Berisford dives 30% to £29m at interim stage

S. & W. Berisford, the sugar processor and commodity trader, saw its first half pre-tax profits fall by some 30 per cent following a downturn by its British Sugar offshoot and sharply higher interest charges.

However, the City was braced for lower profits and the group's shares closed unchanged at 163p, after slipping to 159p at one stage.

Turnover for the six months to March 31, 1985, pushed ahead from £2.61bn to £3.48bn but profits before interest showed a downturn of £1.36m at £68.47m.

Interest charges of £39.43m (£28.27m) left profits at the pre-tax level close to City expectations at £29.04m, compared with £41.56m.

Mr Ephraim Margulies, the chairman, warned the annual meeting in March that profits for the 1984-85 year would fall unevenly, with the first half being lower than the second.

He tells shareholders now that this is still his view and he is holding the interim dividend at 3.5p net per 25p share.

His interim report reveals that world commodity markets remain very quiet and are not providing many opportunities for the group's commodity merchanting and international trading division.

British Sugar's results reflected the decision of the European Community not to increase prices in July 1984 and lower-than-normal animal feed sales in the opening six months—stocks should be cleared by September.

Mr Margulies says last year the company again fulfilled its quota with white sugar production of 1.33m tonnes and looks like exceeding it again this year.

The group's general merchanting and processing division recorded improved results and activities in both financial services and property continue to expand.

The directors look to an increasing contribution to profits from these areas.

Tax for the opening half year fell from £7.53m to £6.67m—the UK share was down by £1.89m at £4.65m.

Net profits came through at £22.37m, against a previous £34.03m and after minorities of £853,000 (£188,000) and preference dividend payments the balance available for ordinary shareholders emerged £12.32m lower at £21.51m.

Earnings per share are shown at 11.24p, compared with 17.67p.

At the AGM Mr Margulies said the full year outcome from British Sugar (last year the company accounted for about half of the group's operating profits) would remain unclear until the last of the animal feed from this year's crop was sold.

The group's profits have grown each year since 1975. In that year pre-tax profits amounted to £9.3m: last year they totalled £80.2m. Over the same period turnover has grown from £691,000 to £5.7bn.

In April Berisford announced plans to expand into precious metals and bullion trading in the U.S. with the £27.6m acquisition of NGI International Precious Metals, a New York-based trader which has close connections with the U.S. gold market.

Berisford trades in precious metals through its Rayner subsidiary but the business is minimal compared with its mainstream activities.

See Lex

Fenner sells offshoot to cut borrowings

By Martin Dickson

J. H. Fenner, the Hull engineering group, is to cut its borrowings by £7.2m by the sale of Fenamec, its division making industrial materials handling systems, to Figgie International Holdings of the U.S.

The move is a major part of Fenner's plan to reduce its gearing, which was announced last year when the group was fighting off a £43m takeover bid from Hawker Siddeley.

Fenwen, which will produce its interim figures today, is thought to be keen to cut its borrowings by about £10m.

Figgie, which is based in Willoughby, Ohio, is a major manufacturer of handling equipment. It will pay £5m in cash for Fenamec and also take on the division's borrowings of £2.2m. Fenamec's turnover in the year to August 1984 was about £13m. It has operations in the UK, West Germany, Sweden, South Africa and Australia.

Heavitree plans second SE quote

The Heavitree Brewery, a Devon supplier of beers, wines, spirits and cider to public houses, is to become one of the few companies with stock quoted on both the Stock Exchange's full list and the unlisted securities market.

The company, which has had its 11½ per cent cumulative preference shares listed for many years, is planning to have its ordinary and limited voting ordinary "A" shares quoted on the USM, by means of an introduction. These shares have been traded in a limited way under the Stock Exchange's Rule 535(2).

The company's financial adviser is Guinness Mahon and the broker is Laing and Cruickshank.

Tesco expands

TESCO, the supermarkets group, has acquired Bugden (Supermarkets) for £4.94m. Bugden owns and operates a large supermarket at Sprowston, Norwich, and has two other unused freehold premises, comprising an older supermarket and a storage facility. Tesco will be paying for the deal with 1.6m shares and £943,750 in cash.

Alphameric reaches £1.3m after strong second half

RECORD LEVELS of sales and profits have been achieved by Alphameric, which designs and manufactures high-quality custom-made computer perhiperal products. This USM company reports a 53.1 per cent increase from £857,000 to £1.31m in pre-tax profits on turnover up by 46.7 per cent from £5.95m to £8.72m in the year to March 31 1985. The pre-tax figure was after lower interest charges of £56,000 compared with £106,000.

The results are in line with the expectations of a year ago and are due, in large measure, to the strong second half. Overall, the group has produced an increase in net margins from 14.4 per cent to 15.1 per cent, despite carrying the start-up costs of the French manufacturing operation. Alphameric has a 66 per cent interest in Alphameric SA and 80 per cent in Sud-Alim SA.

There was a tax charge for the year of £626,000 against £342,000, and after minorities this time of £14,000, attributable profits came out at £700,000 (£515,000).

Stated earnings per 5p share were up from 4.01p to 5.23p.

● comment

Alphameric seems gloriously unaffected by the general malaise in the electronics sector, and the market re-acted appropriately for once a better than expected set of results by pushing the shares up 7p to 140p. Alphameric is currently having no trouble at all beating its own target of a 40 per cent annual growth rate, and last year increased profits by over 50 per cent despite the fact that two of its major customers, Cifer and British Telecom, were scaling back their orders. Next year should see the company's French operations coming into profit; and Alphameric seems well placed to succeed in a market where there is no indigenous French competition. The company is still increasing its 25 per cent share of the growing UK market for custom-made keyboards, while its Bishopsgate Terminals division is moving from strength to strength with a £800,000 contract from the New Zealand Post Office and a £3m contract from Grieveson Grant. The company could well make about £1.8m this year, which after a 43 per cent tax rate would put the shares on a p/e ratio of about 19. In happier times for the high tech industry as a whole that rating would look on the low side.

Lower level of North Sea activities hits PCT profits

A GENERALLY lower level of activity in North Sea related business, with the resulting pressure on margins, led to a downturn from £938,000 to £501,000 in pre-tax profits at PCT Group for 1984. Second half profits of this marketer and developer of power tools plunged from £422,000 to £86,000.

Reflecting the drop in second half profits, the directors have decided to cut the total dividend from 4.8p to 3.2p net, although the final is increased from 1.3p to 1.6p.

Commenting on the second half, Mr Stuart Wilson, the chairman, says it was "particularly disappointing when pressures on profitability were compounded by adverse exchange movements."

The board has taken active steps to maintain both costs and the level of sales, and they remain confident about future prospects. The current year has shown a significant improvement against the second half of the last year, and it is expected that this will be sustained.

There was a slight decline from £8.43m ot £8.39m in group turnover.

Operating costs were up from £7.33m to £7.73m, leaving operating profits of £670,620 compared with £1.1m. After tax of £134,283 (£251,413), attributable profits emerged at £366,811 (£538,227, which was after extraordinary charges of £148,698). Retained profits were £224,805 (£458,909).

Stated earnings per 10p share after extraordinary items were down from 12.8p to 8.3p.

The group's shares are traded on the Unlisted Securities Market

Factory delays depress Avana

THE HOPED-FOR stronger second half did not materialise for Avana Group, the food processor, which includes Marks and Spencer among its customers.

For the full year to March 30, 1985, pre-tax profits improved by 12.5 per cent on turnover up by almost 9 per cent. At the halfway stage, the pre-tax figure was ahead by 16 per cent on turnover increased by a little more than 15 per cent.

The directors said at the interim stage that they expected a stronger second half if raw material prices were steady. They comment at the year end that apart from increases due to the strength of the dollar, raw material costs were fairly steady throughout the year.

There were continuing problems however, in the building of a new factory for the R. F. Brookes subsidiary at Rogerstone, Newport, Gwent.

The directors new look forward to gaining benefits "from this bold investment" in the present year.

Group turnover rose from £178.1m to £193.63m during the year, almost the whole of which was the result of improved volume, pre-tax profit coming out at £19.51m (£17.34m). After the first six months turnover was £98.6m, with pre-tax profit of £7.71m.

With the profit-sharing scheme taking £600,000 (£607,000), tax of £7.46m, against the previous year's £6.17m, when there was an extraordinary profit of £295,000, and minority interests taking £35,000 (same), attributable profits come out at £11.42m.

Earnings per share were 32.67p (30.12p).

The directors are proposing a final dividend of 6.75p net, an increase of 20 per cent on the final payment for 1983-84 of 5.63p. The total for the year is 11.25p (9.38p).

Directors say that the present year has started reasonably well. They are looking for a year of further progress when the investments at OP, Viota and Lesme, as well as the new Brookes factory, will show through in the trading results.

● comment

The market took a dim view of these figures, wiping 25p off the share price to 625p, despite a general knowledge of some of Avana's problems. It was no particular surprise that trying to prepare foods at Rogerstone amid the dust of construction activity cost Avana £1.2m in lost profits and that price discounting by competitors reduced the contribution from Robertson's jams. The real trouble is that the underlying turnover increase was very modest indeed and the market is beginning to question why Avana should deserve its hefty premium to core holdings in the sector. As it is, a tax charge falling to 34 per cent will still leave Avana rated at over 14 times prospective earnings after profit before tax this year of £22m or a bit more. And this raises the question whether Avana can maintain its excellent record without the sort of acquisition which will require a less independent form of management.

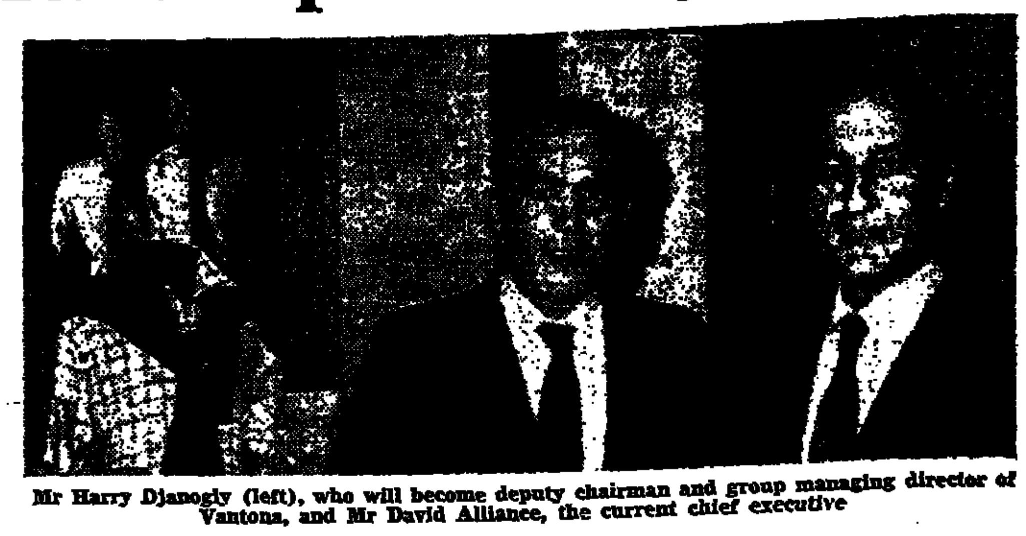
Alexander Nicoll assesses the proposed Vantona/Nottingham merger

A test for complementary skills

"I'M NOT a person given to great excite'ent," says Mr Harry Djanogly, "but I am very excited about what we consider this to be."

Coming from perhaps the most reclusive and phlegmatic chairman of a major British public company, this was not merely predictable hyperbole on the proposed merger between Nottingham Manufacturing and Vantona Viyella.

Nottingham was founded by the Djanogly family and built up by its current chairman with barely a public word. Until a few years ago, Mr David Alliance, chief executive of Vantona, was equally unforthcoming. But he has begun to display a greater degree of chairman and flamboyance as he has developed Vantona by a series of bold acquisitions.



Mr Harry Djanogly (left), who will become deputy chairman and group managing director of Vantona, and Mr David Alliance, the current chief executive

The relationship between the two men will be a key element of the merged group. If it works—and their contrasting styles suggested yesterday that they could complement each other—the new Vantona Viyella could well bid to become the most powerful forces in British textiles. If they fall out, the chances of a successful marger would be serious! damaged.

The skills of the two men are one of a series of complementary strengths which will, at least on paper, be brought together if the merger goes through.

As deputy chairman and managing director of the merged company, Mr Djanogly is to run its operations. He is viewed as one of Britain's most efficient textile manufacturers. As chief executive, Mr Alliance is to take charge of strategy, guiding its development as he has at Vantona, most notably through the purchase and revitalisation of Carrington Viyella. Sir James Spooner is to remain chairman of Vantona.

The two companies complement rather than overlap each other. Nottingham makes knitwear, Vantona woven products. Since nearly two-thirds of Nottingham's output goes to Marks & Spencer, it has virtually no brand-names. Vantona sells less to M & S but has a number of potent brand-names which will be applied across the range of existing Nottingham products.

"Exciting marketing possibilities will be opened up abroad as well as at home," says Mr John Ashton, Vantona finance director. Currently, less than 15 per cent of each company's sales go abroad, and the merged group would plan a push into both Europe and North America.

The clearest area of overlap is in carpets, but even here Vantona's are mostly woven and Nottingham's are tufted. The combined group would have about 12 per cent of the UK carpet market. "We would be able to offer a wider range and better service," says Mr Ashton.

Both companies have dyeing and finishing operations, but Nottingham has no wide-width capacity. Both also produce some leisurewear. But Nottingham has no counterpart to Vantona's household textiles, shirts, womens' and childrens' wear and uniforms, and Vantona produces no hosiery or knitwear. Vantona supplies some woven fabrics to Nottingham, and buys socks and sweaters from Nottingham for its uniforms.

The two companies' balance sheets also fit well together. Nottingham's cash pile of over £90m will wipe out Vantona's debts and still leave over £70m of liquid assets — though in the near-term the focus is likely to be on ensuring that the merger works rather than on further acquisitions.

The separate development of the two companies has striking similarities. Both have come through the UK textile slump as highly efficient British manufacturers with a heavy emphasis on technology. Both have been built by men who came to Britain relatively recently.

Mr Djanogly's father and uncle both fled Germany, where the family had a textile business, in the 1930s. After assuming control of the company at an exceedingly young age, Mr Djanogly, now 49, saw an agreed takeover by Sir Charles Clore's Sears Holdings blocked by the Monopolies Commission in 1975. More recent attempts at expansion have also failed.

Last year, an £11m bid for another M and S supplier, the Glasgow-based F. Miller (Textiles) failed despite having the backing of F. Miller's board. It was later snapped up, ironically, by Vantona. A more ambitious attempt to take over Johnson Group Cleaners with a £53m bid also failed.

Mr Alliance, 52, came to Britain from Iran over 30 years ago and built Vantona from an initial Manchester base through acquisition. He has won widespread respect for the rapid turnround of Carrington Viyella. For him and Mr Djanogly, this will be the greatest test.

Approval for Aran's takeover of Petrolex

BY BRENDAN KEENAN IN DUBLIN

THE MANAGING director of Aran Energy, the Irish oil company whose last-minute takeover of Petrolex took the City by surprise last month, defended the price paid at a company EGM in Dublin yesterday.

Shareholders approved the takeover, without dissent, after some close questioning from the floor. Aran's offer of 96p per Petrolex share, or a 94p cash and share alternative, foiled a bid by Saxon Oil, within hours of the close of the Saxon offer.

Mr Michael Whelan, Aran's managing director, said some critics of the price had misunderstood the purpose of the bid.

They had argued that Aran did not need the tax allowances Petrolex could set against its production revenues, which come mainly from its 0.25 per cent share in the Forties field. Mr Whelan said Aran had been just as interested in Petrolex's exploration programme. It would have taken years for Aran to develop a similar spread of interests.

Mr Whelan said the takeover would transform the company. It now had a stake in 60 per cent of the blocks licensed in Irish waters and a share in 40 UK blocks, a very high number for a company of its size.

Aran proposes to raise more than £11m by a rights issue to pay for the Petrolex acquisition and increase working capital by about £2m. The company's exploration manager, Mr Tom Earls, said four wells would probably be drilled next year in the North Sea.

The increased size of Aran should mean that the company will be less subject to the volatile share trading, associated with recent Irish offshore exploration. Aran executives believe this will be to the company's benefit but it does mean that shareholders who bought during one of the booms will have to take a longer term view of their investment.

The offer for Petrolex is now unconditional.

Together with the 1m shares which Aran acquired on May 14 1985 it now owns or has received acceptances for a total of 14.9m Petrolex shares, representing 95.4 per cent.

Vectis approach

Vectis Stone, the construction, distribution and toiletries group, said yesterday that it had received an approach which might lead to a bid for the company. Its shares rose sharply on the news to close last night at 54p, up 14p on the day.

The company gave no word of the identity of the possible bidder, but market speculation centred on Barton Hill Quarries, a private company, which holds a 6.6 per cent stake in the group.

A. Cohen down

A. Cohen & Co., metal refiner and manufacturer of non-ferrous alloys, reports lower pre-tax profits of £2.42m for 1984, against £2.59m previously, on turnover up from £45.07m to £54.46m.

The dividend total for the year is raised by 1p to 10.8p, with a final of 7.5p (6.8p).

Cole expects profit leap

Cole Group, the plastics manufacturer fending off a £5.72m takeover bid by Robert Moss, the manufacturer and distributor of plastic injection mouldings, yesterday forecast large increases in both profits and dividends for the current year.

Pre-tax profits of around £900,000 in the year ending December 1985, are foreseen, compared with a figure of £278,000 in taxable profits for the previous year.

In a letter to shareholders, Dr J. W. Barrett, chairman of Cole, said the forecast demonstrated the continuing strength of the company's recovery.

Dr Barrett also told shareholders that the board intended to recommend that the full year dividend for 1985 be increased to 10p a share, compared with 4p a share the previous year.

Moss's revised offer is 80 new ordinary shares and £105 in cash for every 100 Cole shares. On the basis of last night's closing prices it values Cole at 190.6p per share.

Moss shares closed 1p down at 107p. Cole was unchanged at 188p.

BOARD MEETINGS

TODAY

Interims:—Countryside Properties, J. H. Fenner, Watson and Philip, Winterbottom Energy Trust.

Finals:—British Tar Products, Cape Industries, Centrovincial Estates, Continental and Industrial Trust, Erskine House, Euston Centre Properties, GEI International, London and Overseas Freighters, Meyer International, Pieton International, Steinberg.

FUTURE DATES

Interims:—

Energy Capital	June 20
Greenwich Cable Comm'cins.	June 27
Lex Service	July 26

Finals:—

Brickhouse Dudley	June 26
Craig and Rose	June 21
Delmar	July 1
Howden Group	July 15
Johnson Matthey	July 12
London and Associated Inv. Trust	June 19
Longton Industrial	June 26
Lynton	June 21
Mercury Securities	June 25
Petbow	June 25

DIVIDENDS ANNOUNCED

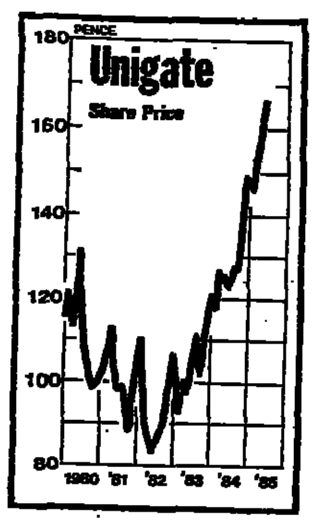
	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alphameric‡	0.7	Sept 11	—	0.7	—
Avana Group	6.75	Oct 7	5.63	11.25	9.38
S. & W. Bersford ... int	3.5	Oct 7	3.5	—	10.5
Chamberlain Phipps	2.75	—	2.5	3.85	3.6
Leigh Interests	2	Aug 30	1.25	3	2
London Scottish ... int	0.9	July 29	0.9	—	2.8
Marshalls Halifax†	7	Oct 1	6	9	8
Oxford Instruments	0.8	—	1	1.2	1
PCT Group‡	1.6	—	1.3	3.2	4.8
Property Partnerships	4.5	—	4	7.8	7
Unigate	5.2	Oct 1	4.75	8.2	7.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Unigate relies on non-dairy operations for 11% profit rise

Unigate's dependence on the UK dairy business continues to lessen. In the 1984-85 year the contributions from dairy interests fell below 50 per cent of operating profits for the first time, and the group relied on growth elsewhere—particularly in the international and Giltspur divisions—for a 11.4 per cent rise in taxable profits.



The market had been expecting a taxable outcome of around £64m, but the result published yesterday — an increase from £57.1m to £63.3m—prompted a 6p rise in the company's shares to 168p. The dividend is lifted from 7.5p to 8.2p with a final of 5.2p (4.75p).

Operations in the UK were virtually unchanged at £55.7m, but activities in the U.S. showed a rise of 33 per cent to £15.6m (£11.7m). Other countries added slightly more with £5.7m against £4.6m.

Mr John Clement, chairman and chief executive, said that acquisitions continue to strengthen existing business areas, and he singled out the poultry business J. P. Wood of Shropshire, along with two electrical contracting businesses and two specialist engineering companies.

Last week Unigate announced plans to sell loss-maker Bowyers to Northern Foods in a deal worth around £21m.

Turnover advanced to near the £2bn level, rising from £1.77bn to £1.93bn, and produced operating profits of £77m against £71.9m. A divisional analysis shows dairy interests unchanged at £37.9m, but an increase in meat interests from £2.4m to £3.6m. Wincanton, the group's transport, garages and engineering concern, dropped £1m to £8.3m.

The international division, which handles food products and services outside the British Isles, showed the largest increase in operating profit, up from £13.6m to £16.3m, while the exhibition, freight and engineering activities of Giltspur moved ahead from £8.2m to £10m. Other activities moved ahead from £0.5m to £0.9m.

The pre-tax figure includes related companies' income of £2.7m against £2m, but was after net interest payable and other financial charges of £16.1m (£16.8m). It was subject to a much higher tax charge of £22.6m against £16m.

Earnings per share slipped marginally from 18.5p to 18.3p.

An extraordinary charge of £9.2m, down from £26.7m, comprised the cost of major rationalisations and business closures, offset by profits on the sale of investments. The chairman says that the rationalisation programme is now complete.

He adds that the group's cash performance remains strong. Inflow from existing operations came to £35.7m, and net borrowings were down to £15.7m. Last time there was a £5m transfer from reserves.

See Lex

SE may probe Bell's price rise

By Andrew Arends

THE Stock Exchange is understood to have launched an inquiry into the large movement in the share price of Arthur Bell, the whisky group, days before the announcement of a £327m takeover bid by Guinness, the brewer and retailer.

The Guinness bid, announced last Friday, followed a week in which the Bell share price moved sharply. From 180p on Monday it had reached 192p at the close of trading on Thursday night—the sort of rise that would normally prompt a Stock Exchange invfestigation.

In the wake of the bid announcement the price then rose a further 71p. Yesterday it put on 10p to close at 273p, a level well above the value of the Guinness bid.

Mr Ernest Saunders, chief executive of Guinness, said that if the Stock Exchange had not already started an inquiry into the share price movemcats it should now do so.

While the Stock Exchange yesterday denied that there was a formal investigation, it is understood that a preliminary inquiry has been started into the events preceding the bid announcement. If evidence of insider trading emerged, the Stock Exchange will pass it on to the Department of Trade and Industry which will then take a formal look at the matter.

Carlton to buy TV studio equipment maker for £3m

BY MARTIN DICKSON

Carlton Communications, the fast expanding video technology and communications group, is buying **Michael Cox Electronics**, a leading British manufacturer of television studio equipment, in a cash and shares deal worth £3.2m.

Carlton shares rose strongly on the news, closing last night at 800p ex-dividend, up 42p on the day.

Cox, which was established in 1968, designs, develops and manufactures a range of equipment, including vision mixers, which blend together TV images.

Mr Michael Green, Carlton's chairman, said that the products oft het wo companies were complementary. For example, Carlton's special effects devices had exactly the same markets as Cox's vision mixers and the two could be sold together as a package. He added that Cox and Carlton had been working closely on the development of new products over the past six months.

The deal will be funded by the issue of about 162,500 shares in Carlton—which the vendors havea greed to hold for at least 18 months—and £1.9m in cash.

Cox, whose products are used by TV stations around the world, had pre-tax profits of £307,000 in 1984 on sales of £3.8m. Management accounts for the first quarter of this year show pre-tax profits of £100,000 on turnover up 20 per cent. Net aset value at the end of 1984 was £1.5m.

Of its 120 employees, 60 are engineers and technicians. Mr Green said yesterday that this was moret han Carlton currently employed and would mean a significant expansion of the group's engineering base.

Carlton, which earlier this month reported interim pre-tax profits more than doubled from £2.37m to £4.86m, has made a rapid succession of video- and TV-related purchases since gaining a listing in February 1983.

Its biggest acquisition came last December, when it bought Abekas Video Systems of California in a deal costing \$12.8m initially and up to a further \$17.2m over five years, dependent on profits performance.

Interior designer for USM

BY LUCY KELLAWAY

THE USM is to get its first interior design company. **Blanchards** is to join the market via a placing of 1.6m ordinary shares by Strauss Turnbull at 75p each.

The company, which decorates and furnishes residential and commercial properties, sells and exports up-market furniture and antiques, and acts as an estate agent, has a market value at the placing price of £3,750,000.

Of the £1.2m raised before expenses in the placing, £750,000 represents new money for the company, which will be used to expand existing activities.

The company was created in 1972 when Sir John Figgess, chairman and Mr Alexander Aldbrook managing director, bought from Maples International its overseas decorating and furnishing business. The bulk of the company's turnover and profits come from abroad, and in the six months to December, 47 per cent of turnover originated from the Middle East and 18 per cent from North Africa.

Blanchard's single largest customer is His Excellency Dr Man Saeed Al Otaiba, energy minister for the United Arab Emirates. Dr Otaiba also owns 8 per cent

At the placing price the shares are on a prospective earnings multiple of 12.3 after an estimated tax rate of 44 per cent. The yield is 4 per cent based on a forecast dividend of 2.1p per share.

Dealings start on Monday

Marshalls Halifax at record £6m and further growth seen

WITH IMPROVED results from both its concrete and engineering operations **Marshalls aHlifax** was able to push its 1984-85 pre-tax profits up by £0.9m to a record £6m.

And with the current year starting well and a full year result expected to be satisfactory the directors are lifting the total dividend from 8p to 9p net on the enlarged capital, 1p more than the minimum forecast last November at the time of the £5.5m rights issue.

A scrip issue on a one-for-one basis is also proposed.

Group sales for the year to March 31 1985 improved from £54.46m to £60.97m and at the trading level, profits pushed ahead from £5.59m to £6.54m.

Concrete division trading profits were up 14 per cent at £5.78m (£5.07m) on sales 10 per cent up at £46.38m (£42m). Mr David Marshall, group chairman, points out that the year had shown reduced construction activity, the depressive effects of the coal strike and unhelpful weather in the last quarter. He says: "Sales advanced in all sections of the division's comprehensive range of products and manufacturing efficiency was improved, a necessity in markets which are always competitive."

The engineering division returned trading profits 46 per cent higher at £760,000 (£520,000). Mr Marshall says this was a creditable result bearing in mind that the profit was struck after deducting costs involved in amalgamating Higher Speed Metals and FBT Hard Metals to form Marshalls Hard Metals. He adds that the company is achieving sales targets and will be a significant contributor to profit in the years to come.

During the year capital investment totalled £7.3m, compared with £6.4m last year, with most of the money going to the concrete division.

Shareholders are told that the successful rights issue has ensured that the group has adequate funds for continuing its expansion in those activities which present the most favourable opportunities.

Interest charges for 1984/85 accounted for £574,000 (£518,000), tax for £1.06m (£479,000) and minorities for £14,000 (£13,000).

Attributable profits emerged at £4.76m, against a previous £4.05m. Earnings per 25p share were little changed at 28.95p (28.64p).

At the time of the rights issue the directors said they planned to expand concrete block production capacity by installing three extra plants which were expected to raise output by between 50 per cent and 60 per cent next year.

BIDS AND DEALS

BLUE CIRCLE LIMITED, the South African subsidiary of Blue Circle Industries, is to acquire 53 per cent of D & H Minerals at a price of Rands 38.5m, settled by the issue of 4.53m new Blue Circle shares to Darling & Hodgson, which controls D & H Minerals. As a result Darling & Hodgson's interest in Blue Circle will increase from 30.5 per cent to 42 per cent, thereby matching that of Blue Circle's British parent, which has fallen, as a result of the deal, from 50.3 per cent.

NOLTON announces that 807,769 ordinary shares, representing 12.8 per cent of the capital, have been placed through the market with clients of the company's brokers, Margetts and Addenbrooke. These shares were previously held by Mr P. S. Dixon and his family, who no longer retain a notifiable interest.

SUTER, the engineering, distribution and packaging group headed by Mr David Abell, has increased its holding in F. H. Lloyd, the foundry group, from 16.5 per cent to 20.15 per cent. The Suter stake includes a holding of 100,000 shares by Mr Stephen Finch, an associate.

COOKSON GROUP has acquired the outstanding 50 per cent shareholding in Electrovert of Montreal, which now becomes a 100 per cent subsidiary. Consideration was not material in relation to the net profits of Cookson.

COMCAP's wholly owned subsidiary CMA Comcap is acquiring the management and business of a division of **Christian Revsing AF 1984**. The division, which provides customers in Scandinavia and Germany with a computer bureau service and software development, is being acquired for DKr 4.5m (Approximately £325,000) cash, and will be incorporated as CMA Data.

BRITISH Electric Traction has announced an £800,000 offer to acquire the minorities in its subsidiary **Electrical and Industrial Inv.**

EXTEL GROUP discloses that Dr Ashraf Marwan of Monte Carlo has an interest in 1.78m ordinary shares (5.05 per cent) in the company.

Mr Alan Brooker, chairman of Extel said "we have had no talks with him. We have simply had a formal letter notifying us of his holding."

WESTLAND'S proposed merger with **Bristow Rotorcraft** will not be referred to the Monopolies and Mergers Commission.

FLIGHT REFUELLING has exchanged contracts for the acquisition of Wes from L. R. Davey and fellow directors of Wes. The value of the consideration is £1m, and completion is expected to take place on June 21. The audited accounts of Wes to November 30, 1984 show shareholders funds of £1m, with sales for the year of £4.9m and pre-tax profits on ordinary activities of £356,000. Wes has its headquarters at Poole, Dorset, and is a contractor to the Ministry of Defence and to the British aerospace industry.

Svenska Handelsbanken

US$ 100,000,000 12⅞% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4 (b) of the Notes, US$ 10,000,000 principal amount of the Notes has been drawn for redemption on 18th July, 1985, at the redemption price of 101% of the principal amount, together with accrued interest to 18th July, 1985.

The serial numbers of the Notes drawn for redemption are as follows:—

4	949	1947	2962	3991	5019	6009	6814	7780	8737	9763	10898	11833	12928	13942	15109	15997	17034	17954	18981
10	961	1948	2983	3992	5021	6014	6821	7793	8755	9779	10909	11835	12931	13948	15137	16030	17040	17962	18993
12	973	1967	2987	4015	5022	6016	6822	7796	8758	9783	10912	11836	12955	13952	15147	16036	17041	17985	18996
17	985	1968	2995	4024	5027	6017	6836	7814	8783	9794	10917	11846	12960	13967	15152	16038	17054	17996	19010
28	989	1979	2998	4039	5034	6020	6838	7821	8790	9799	10922	11851	12967	13975	15154	16047	17062	18033	19014
38	1011	2002	3000	4069	5035	6027	6868	7825	8791	9811	10931	11908	12974	14020	15163	16048	17064	18040	19022
50	1038	2003	3008	4095	5041	6035	6878	7826	8811	9813	10948	11911	12982	14060	15173	16061	17068	18041	19030
55	1049	2006	3013	4120	5045	6036	6882	7846	8812	9814	10955	11912	12994	14062	15177	16070	17079	18044	19072
65	1050	2021	3021	4124	5053	6039	6891	7860	8822	9819	10961	11926	12997	14065	15179	16124	17087	18065	19080
80	1077	2035	3027	4134	5060	6041	6915	7861	8832	9823	10975	11929	13000	14096	15181	16128	17093	18072	19101
82	1115	2036	3031	4142	5062	6047	6921	7890	8844	9827	10980	11935	13048	14118	15201	16152	17113	18074	19104
85	1134	2039	3032	4152	5064	6064	6926	7896	8845	9848	11009	11966	13050	14123	15204	16154	17115	18105	19142
111	1135	2043	3049	4153	5067	6071	6930	7899	8870	9910	11010	11991	13053	14126	15217	16161	17127	18106	19164
115	1154	2063	3054	4165	5071	6078	6949	7914	8890	9919	11014	11994	13065	14147	15224	16170	17152	18117	19193
126	1156	2066	3058	4169	5084	6081	6954	7917	8910	9938	11015	11995	13066	14157	15235	16172	17160	18123	19200
133	1177	2083	3061	4174	5090	6097	6969	7928	8918	9939	11037	11999	13083	14168	15237	16185	17173	18126	19212
138	1184	2092	3065	4226	5120	6106	6984	7955	8921	9941	11063	12004	13090	14170	15245	16192	17176	18143	19219
150	1189	2097	3083	4251	5144	6118	6988	7969	8926	9957	11087	12014	13104	14182	15255	16195	17178	18153	19221
153	1193	2108	3089	4255	5158	6122	7008	7970	8982	9971	11111	12023	13106	14190	15266	16205	17181	18170	19239
161	1196	2126	3134	4269	5179	6126	7019	7971	8984	9993	11112	12025	13110	14195	15273	16217	17184	18172	19241
166	1200	2128	3153	4273	5191	6127	7032	7979	8989	10001	11116	12031	13127	14207	15280	16247	17193	18193	19243
173	1206	2134	3187	4281	5197	6131	7038	7993	9009	10008	11130	12033	13134	14213	15302	16250	17200	18196	19248
175	1208	2167	3208	4290	5200	6133	7053	7998	9018	10012	11136	12034	13145	14221	15324	16254	17220	18203	19251
220	1214	2168	3220	4293	5218	6135	7054	8001	9022	10042	11137	12040	13161	14224	15326	16259	17221	18204	19259
226	1215	2174	3268	4296	5231	6139	7062	8004	9036	10058	11139	12053	13165	14229	15328	16261	17225	18218	19264
237	1221	2175	3281	4302	5237	6142	7067	8006	9059	10066	11146	12061	13175	14254	15357	16263	17272	18223	19268
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262	1231	2181	3294	4321	5251	6156	7074	8012	9081	10100	11152	12098	13220	14286	15361	16333	17288	18244	19283
264	1232	2190	3327	4333	5265	6183	7079	8025	9082	10104	11159	12099	13224	14288	15376	16334	17293	18248	19307
266	1245	2200	3331	4339	5277	6218	7089	8032	9089	10109	11160	12102	13237	14289	15377	16340	17294	18256	19359
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308	1294	2283	3392	4382	5330	6264	7173	8102	9116	10173	11243	12235	13292	14381	15445	16415	17359	18323	19418
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577	1540	2524	3640	4612	5553	6503	7406	8402	9349	10425	11438	12447	13543	14765	15713	16643	17589	18555	19630
590	1542	2528	3646	4619	5573	6518	7424	8405	9357	10435	11448	12481	13545	14774	15720	16657	17614	18560	19647
621	1552	2529	3650	4621	5587	6529	7435	8417	9366	10438	11453	12488	13549	14784	15740	16663	17616	18588	19658
623	1554	2539	3651	4632	5619	6531	7441	8423	9374	10452	11474	12495	13557	14788	15758	16665	17618	18597	19661
635	1557	2559	3655	4635	5622	6554	7443	8427	9391	10464	11489	12506	13617	14790	15759	16667	17641	18598	19670
647	1559	2562	3667	4649	5624	6555	7453	8432	9397	10465	11521	12511	13623	14820	15764	16680	17648	18599	19682
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673	1617	2586	3684	4671	5646	6577	7480	8459	9407	10509	11558	12523	13633	14846	15781	16704	17692	18662	19698
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714	1624	2599	3709	4686	5682	6603	7532	8469	9430	10520	11580	12544	13651	14859	15794	16706	17704	18688	19739
741	1646	2603	3723	4693	5698	6609	7558	8471	9437	10534	11590	12547	13654	14862	15799	16707	17708	18691	19740
764	1651	2604	3729	4695	5705	6611	7562	8491	9442	10541	11602	12572	13663	14883	15809	16710	17710	18696	19755
769	1662	2611	3730	4706	5706	6638	7564	8495	9444	10548	11609	12587	13688	14898	15812	16725	17715	18709	19758
778	1671	2628	3745	4710	5723	6643	7569	8498	9447	10552	11614	12617	13704	14902	15821	16733	17718	18714	19763
789	1682	2644	3746	4715	5727	6644	7573	8505	9456	10559	11622	12630	13712	14907	15841	16737	17721	18719	19767
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823	1724	2688	3780	4796	5804	6662	7595	8565	9505	10633	11708	12696	13753	14952	15885	16815	17781	18818	19800
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834	1762	2760	3807	4808	5826	6695	7646	8594	9527	10647	11722	12722	13760	14964	15895	16849	17799	18851	19816
842	1784	2764	3810	4810	5830	6701	7659	8612	9553	10707	11725	12739	13761	14973	15917	16854	17808	18857	19837
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868	1848	2782	3837	4865	5867	6722	7679	8633	9605	10729	11741	12798	13813	15005	15927	16909	17842	18928	19885
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903	1898	2874	3911	4941	5917	6735	7719	8660	9684	10777	11780	12839	13862	15063	15953	16948	17907	18957	19892
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943	1932	2952	3989	4986	5998	6797	7779	8728	9757	10847	11816	12924	13941	15099	15984	17033	17953	18978	19999

On the 18th July, 1985, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February, 1985 to 18th July, 1985 amounting to US$254.38 per US$5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 18th July, 1985 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of any of the Paying Agents mentioned thereon.

Bankers Trust Company, London
Principal Paying Agent

18th June, 1985

UK COMPANY NEWS

Emerging from a Chrysalis

Lucy Kellaway on the formation of a £44m musical enterprise

TWO OF the best known names in the British record industry, Management Agency and Music and Chrysalis, have unveiled the full details of a merger that will create a group with a value of about £44m.

At the same time it was announced that the combined company will be raising about £6.75m of new money by an offer for sale in July.

The two companies first announced the plan to merge in April, but at a final meeting between the two boards last weekend it emerged that a last minute change would need to be made to the prospectus when Mr D. A. Landau, a non-executive director of Chrysalis, declared that he could not, as is standard in such deals, take responsibility for the information being sent to MAM shareholders.

No reason was given for the unusual decision. Mr Landau did, however, join the boards of both companies in unanimously recommending the merger.

The merger will be implemented by a share exchange, with MAM acquiring the entire share capital of CGL. Shareholders of Chrysalis will then receive 14.4m new shares in MAM, compared to the 8.3m shares currently held by MAM's shareholders. Any MAM shareholders not wanting to participate have the option of receiving 200p in cash, well above the 162p at which the shares were suspended in March.

Following the merger and the offer for sale the old MAM shares will account for 32 per cent of the combined company, which is to be renamed Chrysalis Group. Chrysalis's shareholders will hold 52 per cent with the new shares being offered for sale making up the remaining 16 per cent.

Mr Christopher Wright, the executive chairman and co-founder of Chrysalis, yesterday described the merger as a "natural fit" for both companies. Overall, the combined group will be an exciting and broadly based entertainment company. "We have every confidence in the future," he said.

Chrysalis was started in 1967, since when it has become one of the largest British independent record companies, and the only one to operate both in the UK and in the U.S. Its list of stars includes Ultravox, Leo Sayer, Pat Benatar and Spandau Ballet.

MAM, whose artists have included more middle-of-the road names like Tom Jones and Englebert Humperdink, has in recent years made losses in its record division. In March this year, MAM paid £1.7m to Gilbert O'Sullivan in an out-of-court settlement resulting from a long-running royalty dispute.

The bulk of its earnings have come from its seven hotels, and from the machine and video divisions. However, even these have faced problems, and after three years of fairly flat earnings the company says it will earn less this year than last year's £1.6m.

The combined group in 1984 made profits of £6.2m on a turnover of £66m and is forecasting similar profits for the financial year to June, 1985. It will consist of four major divisions: records and publishing, recording and post-production, hotels and machines, and the agency and promotion of entertainment artists.

At the offer price of 200p the new shares will be on a prospective price/earnings ratio of 13. The gross dividend yield will be 4 per cent.

MINING NEWS

MIM back to profit

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S base metal and coal-producing MIM Holdings has returned to profitability in the current quarter of the year to June 30, according to Mr Bruce Watson, the chairman.

He told Reuters in Sydney that the improvement reflected reductions in costs coupled with a boost to export revenue from the weakness of the Australian dollar. He expected the company to remain profitable at current metal prices.

For the first 40 weeks of the financial year, MIM incurred a net operating loss of A$42.1m (£22.1m) compared with a profit of A$10.2m in the same period of 1983-84 when earnings for the full 12 months came out at A$27.22m.

Factors in the latest 40-week result included losses of more than A$10m on currency hedging operations, a strike of electricity workers in Queensland which affected coal and copper production and low metal prices for most of the period.

Mr Watson defended the company's A$1.3bn move into coal during recent years. "I'm still satisfied that in the long term coal will prove to be good," he said. The wholly-owned Collinsville and the 79 per cent-owned Oaky Creek coal mines in Queensland are profitable, but the Newlands steaming coal project is trading at a modest loss.

MIM's production of lead, zinc, copper and coal should reach record, or near record, levels in 1984-85 in line with the policy of maximising output at reduced unit costs. The big Mount Isa mine is now put among the world's lowest cost copper producers.

All but essential capital spending has been frozen, but plans are going ahead to develop the major Hilton silver-lead-zinc orebodies, 20 km north of Mount Isa. Trial mining is due to start in 1986-87, Mr Watson said.

A full scale annual output of approximately 1m tonnes of ore by 1989-90 is envisaged, he added. The newcomer will replace declining economic reserves at Mount Isa in the 1990s.

The coal operations are building up to an annual output capacity of some 8m tonnes and are now efficient low cost producers, said Mr Watson. However, their revenue is hampered by low coal prices, the disadvantage of some export contracts being written in Australian dollars and a large hidden tax element in Queensland Government rail freight rates.

Modder to reopen two gold mines in East Rand

SOUTH AFRICA'S Modder B Gold Holdings plans to reopen two gold mines in the East Rand goldfield. The two operations, the old Modder B and Modder East properties, are to be merged and worked as one mine, and will have an output of some 30,000 ounces of gold a year once they are in full production.

Modder B is proposing to follow a somewhat unusual route to full production, which will not be reached until after the planned 20,000-tonnes per month carbon-in-leach plant is commissioned during the 1988 financial year.

The first gold will be produced later this year, however, by means of a heap leaching system, which is scheduled to be in place in 17 weeks. This approach has the advantage of providing early positive cash flow to help fund the development of the remainder of the operation.

Mr Cyril Heever, Modder B's managing director, said this will have the effect of providing something like R11m (£4.4m) towards the budgeted total capital cost of R17m, the remainder of which has been financed through the placing in Johannesburg and London of 2.6m shares at R2.50, which has arised R6.5m.

The two old mines were closed down during the period when the gold price was fixed at $35 an ounce. The original Modder B operated from 1911 until 1956 and produced 10m ounces of gold at a good average grade of 9.14 grammes of gold per tonne, and Modder East was in production between 1920 and 1962 with an output of 8.5m ounces at a grade of 6.06 gm.

The company estimated the current reserve position at 5m tonnes of proven and possible ore at an average grade of 5.2gm. gold per tonne. This excludes the highly-prospective Black Reef, which is being worked from the adjoining Grootvlei and Consolidated Modderfontein properties and which underlays more than three-quarters of the Modder B lease area.

Leigh Interests profits double as growth continues

IMPROVED margins, lower interest charges and better efficiency were the three factors behind the doubling of pre-tax profits for the Walsall-based LEIGH INTERESTS, the waste disposal company.

On turnover up by £2.2m to £24.4m, taxable profits rose from £559,000 to £1.13m. At the halfway stage profits were ahead by £111,000 to £415,000, on turnover increased by £1.06m to £12.09m.

The company's mainstream waste disposal activities saw trading profit before tax and interest rise by £600,000 to £1.7m, on turnover increased from £15.9m to £19.6m.

In line with the forecast made at the time of the acquisition of MJI in May, the directors are recommending a final payment of 2p per 5p share net, making a total for the year ending March 31, 1985, of 3p. The final for 1983-84 was 1.25p, with a total for the year of 2p.

Mr Bill Pybus, the chairman says that all regions performed well, assisted by the vehicle modernisation policy which contributed to profitability.

Since the end of the year Leigh has consolidated and extended its market coverage with the acquisition of Contract Gully Cleansing of Welwyn Garden City, the Birmingham waste treatment plant of Hales Industrial Services and MJI, which includes Cartaways.

Leigh claims to be the second largest waste disposal business in the UK and the leader in facilities for treatment and reclamation of all kinds of waste.

Mr Pybus says that the activities of MJI, other than waste disposal, do not fit in with Leigh's mainstream business and the board is considering how they should be dealt with, within the company's long-term plans.

For the present year turnover and profit of the company, excluding MJI, compare favourably with 1984-85. MJI is trading at its expected loss and steps are being taken to eliminate the loss-makers and cut overheads.

Investing in the future

Not even a company as successful as Marks & Spencer can rely on past achievements to ensure future growth.

That is why the Company is now engaged on the largest capital development programme we have ever undertaken — with £480 million of investment planned over the next two years.

You can read about the plans for the future as well as the results for 1984 – 1985 in the Company's Annual Report, which is now available.

Group Turnover (excluding sales taxes)

It tells of a year in which Marks & Spencer Group sales increased 12% to £3,213 million and profits increased by nearly 9%, (despite an estimated £6 million shortfall caused by the miners' strike). Dividends per share are up from 3.125p to 3.4p.

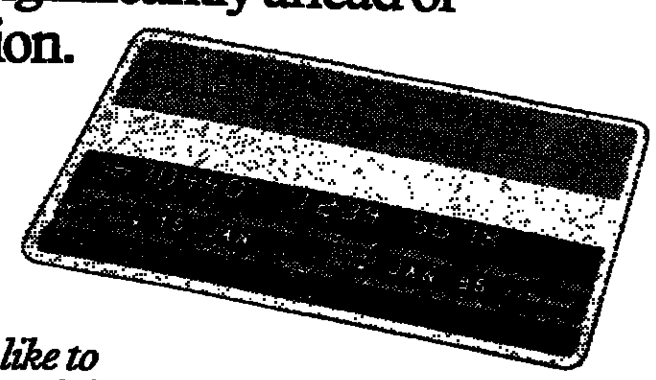
In the UK sales of clothing were up by 7.4% to £1,424 million. The Company has an estimated 15% market share for menswear and ladies' outerwear, and 34% for lingerie.

Food sales climbed by 14.6% to £1,171 million. The strength of our Food Division is our insistence on the use of top quality raw materials made into recipes which are easy for the housewife to cook and serve.

Homeware, Footwear and Accessories sales increased by 22% to £305 million, with an especially strong contribution in this division from toiletries and cosmetics.

Exports grew, too — by 10.4% to £92.7 million.

The successful test of the Marks & Spencer Chargecard has been followed by its national launch in April 1985, with results already significantly ahead of expectation.



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Marks & Spencer

UK COMPANY NEWS

Oxford Instruments confident as profits jump 50% to £9m

RESULTS of Oxford Instruments Group improved further in the second half as predicted at midway.

For the year to the end of March 1985, pre-tax profits for the advanced instrumentation company increased by almost 50 per cent from £6.14m to £9.16m, on turnover up by £15.01m to £59.13m. In the first six months, the company increased profits by 28 per cent to £2.31m on turnover up by 32 per cent to £24.62m.

Earnings per 5p share came out at 12.2p, compared with the previous year's 9.1p. However, in line with the company's policy of retaining the bulk of profits to finance growth, a final dividend payment of 0.8p net is being proposed, making a total for the year of 1.2p. Last year a single payment of 1p was made.

Oxford Superconducting Technology generated a further $34.8m (£27.8m) in sales which were not consolidated within the group turnover and also made a significant contribution to profit of £2.01m.

As in the past, most of the group's sales were abroad, with the total reaching £53.7m in the year, representing 91 per cent of turnover.

Mr Barrie Marson, the chairman, says that all parts of the group showed satisfactory progress through the year. New products announced last year enabled Oxford Medical Systems and Oxford Analytical Instruments, together with their overseas sales subsidiaries, to more than double profits in the year.

Expenditure incurred earlier in the year on the concentration of Oxford Magnet Technology's magnet production at the new Eynsham factory and on setting up Furukawa Oxford Technology in Japan began to produce benefits in the late part of the year.

The chairman adds that the overall costs of setting up the Japanese joint venture for imaging magnet production, which by the end of the year was fully equipped, staffed and trained and had shipped seven magnets to its customers, were offset by the technology transfer payment received from Japan resulting in a net credit of approximately £0.3m to group pre-tax profits.

With completion of the Eynsham plant quite early in the year, capital expenditure was £3m much reduced compared with the previous year (£5.9m).

All operating companies are now well equipped.

As a result, movement in net liquid funds, which was on outflow of approximately £2.1m in the first half, became an inflow of £1.4m during the second half and is expected to continue to be positive in the immediate future.

Oxford Automation made non-recurring charges of about £0.4m for stock obsolescence and software contract costs on one major project which have been set against pre-tax profits. Although the company subsequently traded profitably, it was decided, for strategic reasons, to dispose of the business. This was achieved through a buy-out involving its management team and third parties after the year end.

Mr Marson says that the group has begun the present year with record order books. All parts of the group are trading profitably and it is well placed for a fine performance for the year.

● comment

After a rush of enthusiasm when the company was floated in October 1983, the stock market has been very cool towards Oxford Instruments, partly as a result of a very demanding entry p/e of over 30 at the original striking price of 265p, and partly as a result of the market's general swing against high technology stocks. But it now seems that the shares, up 5p to 287p yesterday, could be set for a modest re-rating — assuming current year pre-tax profits of £12m and a 38 per cent tax charge they change hands on a multiple of 17. Fears that demand for superconducting magnets in the U.S. and in Europe might begin to weaken have not yet materialised, and if and when they do, the company is set for exploiting the Japanese market in its joint venture with Furukawa. Moreover, while the core business remains strong, the company's smaller operations—medical systems and analytical instruments — are growing rapidly, reducing Oxford's dependence on superconducting magnets to about 50 per cent of turnover. This development could go a long way towards allaying City fears that Oxford is a one-product company.

London Scottish static at £0.8m

HIGHER interest rates combined with the impact of the miners' strike resulted in a first six months for the static London Scottish Finance Corporation.

The directors point out that although the miners returned to work in March it will take some time for them to clear their debts—the company provides financial and banking services and consumer credit.

However, as the arrears and bad debt situation has improved since the year end the directors have been able to release a proportion of the provisions which were made at that time.

Turnover for the six months to April 30, 1985 totalled £5.89m (£6m) and generated pre-tax profits of £845,000 (£842,000) after interest costs of £600,000 (£523,000). In the circumstances, the directors consider the results as satisfactory.

They are holding the interim dividend at 0.9p net per 10p share from same-again earnings of 3.1p. Tax took £260,000 (£270,000).

● comment

For the second year running shareholders in LSFC are expected to set their sights low because of the miners' strike. Last year provisions as a direct result of the dispute could have clipped as much as £300,000 off the company's profits. The first half of this year was bound to be depressed but now that the men have been back at the coalface for some months and repayments are regularly coming in again, the closing six months might have been expected to come good. However, the extra interest charges which LSFC has had to shoulder on the extended loans has depressed margins. As a result, profits will probably be no better than £1.8m against earlier expectations of at least £2m. Even trimming commission payments to the small army of part-time collectors is not going to have much impact this year. So that leaves the 6¼ per cent yield acting as longstop for the shares at 64p.

Wimpey home sales ahead of target

Sir Reginald Beaumont Smith, chairman of George Wimpey, told the AGM that during the year to date, sales of private houses were ahead of target and of those achieved during the same period of 1984. He added that good progress was being made on contracts at home and abroad but the market in all areas remained highly competitive with tight margins.

The meeting was told that those operations which were not producing an adequate return were under close review and that the reduction of overheads through the group would continue. Changes being made had inevitably caused some disruption and it would take time for the full benefit to be reflected in performance.

Sir Reginald said the directors were confident that these changes would be absorbed with profitability sustained.

Chamberlain Phipps rise pegged to 17%

PROBLEMS IN the U.S. and Italy restricted Chamberlain Phipps to a pre-tax growth rate of 16.5 per cent in the 1984-85 year, and the City reacted to the preliminary announcement by marking the shares down 6.5p at 79p.

Mr Frank Chamberlain, the chairman, said that the outcome for the year ended March 31 1985 would have been better than the £5.64m reported yesterday but for difficulties with Vinaflex America, which finished the year £64,000 in the red, and with the group's Italia offshoot, which was also unprofitable. Remedial action is being taken at both companies.

The pre-tax figure, which was achieved on turnover of £93.94m against £74.47m, compares with £4.84m last time, and worked through to earnings per share down from 11.97p to 7.82p. The total dividend is increased by 0.25p to 3.85p with a final of 2.75p (2.5p).

The chairman adds that the group, a manufacturer of adhesives and other footwear materials, wil make further progress this year, but he points to the need for greater stability in the currency markets.

Export turnover from the UK was £12.78m up 5 per cent. Operating profit came to £6.75m compared with £5.46m. Interest rase from £659,000 to £1.14m, and the tax charge for the year doubled to £2.42m.

The general industries division increased its turnover by 48 per cent and doubled its operating profit during the year. The strategy is to develop investments involved in the manufacture of adhesives, mastics, sealants and insulation cladding.

The chairman says that Chemberlain Phipps Italia—formed to exploit the large market for footwear adhesives and textiles coatings in Italy—is not yet profitable, but steps are being taken to increase its share of this market which offers considerable potential. The other companies in the division all performed satisfactorily.

In the shoe components division, UK operating profit increased but this was more than offset by a reduction overseas and the net effect was a slight overall decline.

The companies in the UK, which supply materials and components to footwear manufacturers at home and overseas, performed well.

The overseas companies also performed well, says Mr Chamberlain, with the exception of Vinaflex America which suffered a severe setback when a number of valuable customers were forced to close their production facilities.

● comment

Disappointing results from Vinaflex America (operating loss of £64,000 against a profit of £422,000), higher tax and interest charges have combined to bring Chamberlain Phipps in under forecasts. Ironically the group's problems have centred on its overseas activities rather than its shoe components business in the UK—which saw its profits contribution rise by almost 30 per cent. Many analysts previously thought that the pattern would be the other way round but the strong dollar has put paid to that. In the U.S. an avalanche of shoe imports last year led to over a hundred closures — including three of the group's major customers. Appeals for protection aside, this pattern cannot be expected to alter much this year and the unit survives on a quarter by quarter basis. The best hope is that it will be breaking even in 1985-86 but if new product lines fail to stem the losses then closure or sale seems inevitable. In Italy the new subsidiary has been a slow starter—although making 450m pairs of shoes a year (more than thre times the UK figure) the country has to be a key market. As a result the current year will be one of consolidation and the market is not expecting the group to achieve much more than the original target set for 1984-85, that is some £6.1m. This has the shares trading on a prospective per cent of 7 (35 per cent tax). Not a share to buy for a short term gain.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13 %
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9¼%. 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

FT COMMERCIAL LAW REPORTS

No agricultural herbicide trials pending patent action

MONSANTO COMPANY v STAUFFER CHEMICAL COMPANY AND STAUFFER CHEMICAL LIMITED
Court of Appeal (Lord Justice Watkins, Lord Justice Dillon and Sir Denys Buckley: June 11, 1985

A LIMITED experiment to establish whether a product can be manufactured commercially does not constitute infringement of the patent in a similar invention; but where the product is already commercially available to a limited extent, trials carried out for the purpose of extending its existing market or gaining approvals from non-statutory bodies, are not "experiments" and are therefore capable of constituting infringement.

The Court of Appeal so held when dismissing the major part of an appeal by Stauffer Chemical Company and Stauffer Chemical Ltd, from Mr Justice Falconer's refusal to modify an interlocutory injunction restraining them from importing or supplying glysophate-based herbicides in the UK pending trial of an action against them by Monsanto Co for infringement of patent.

Section 60 of the Patents Act 1977 provides: "(5) An act which . . . would constitute an infringement of a patent for an invention shall not do so if (a) it is done privately and for purposes which are not commercial (b) it is done for experimental purposes relating to the subject matter of the invention."

LORD JUSTICE DILLON said that Monsanto, an American company, was the registered proprietor of a patent in an agricultural herbicide called Roundup, derived from a substance called glysophate. It had been enormously successful world-wide in killing couch grass and other weeds.

Stauffer, another American company, and its English subsidiary, were also concerned with the manufacture and marketing of herbicides for agricultural use. They had devised a herbicide called Touchdown, which was intended to perform substantially the same function as Roundup.

Touchdown was derived from a compound of glysophate not referred to in Monsanto's patent, and Stauffer therefore claimed that it did not infringe the patent. They began marketing Touchdown in the UK in August, 1983.

Monsanto issued a writ claiming relief for infringement of the patent. They also applied for an interlocutory injunction. Mr Justice Falconer granted an injunction until judgment in the action or further order, restraining Stauffer from supplying or importing herbicidal compositions based on glyphosate.

Stauffer appealed against that order. The appeal was dismissed on the basis that Monsanto had shown there was a serious question to be answered as to whether the patent was infringed; and that the balance of convenience favoured the grant of an interlocutory injunction.

Stauffer then sought modification of the injunction. Relying on section 60 (5) (b) of the Patents Act 1977, they said that the injunction should be modified to enable them to carry out experiments relating to the subject matter of the invention.

They wanted to carry out three categories of field trial: (1) trials by their own personnel on the Stauffer farm in Essex; (2) trials by their own personnel on land rented by Stauffer on other farms; and (3) trials to be carried out for Stauffer by third parties, such as the Agricultural Development Advisory Service (ADAS) which is run by the Department of Agriculture, the Forestry Commission, certain water authorities and others.

Mr Gratwick for Monsanto submitted *inter alia* that "for experimental purposes" in section 60 (5)(b) was limited to experiments in a laboratory or glasshouse.

That was not so. What might legitimately be the subject of experiment depended on the nature of the product. With herbicides or compositions to stimulate plant growth it must surely be a legitimate area for experiment to see if results obtained in the laboratory or glasshouse could also be achieved in natural conditions.

Mr Gratwick urged that "relating to the subject-matter of the invention" in section 60(5)(b) ought to be narrowly construed so as to exclude experiments directed to the commercial exploitation of the invention.

It was difficult to draw any such hard and fast line. The distinction between the wording of 60(5)(a) and 60(5)(b) indicated that experimental purposes in (b) might yet have a commercial end in view.

"For experimental purposes relating to the subject-matter of the invention" covered a limited experiment to establish whether a quality product could be manufactured commercially in accordance with the specification of a patent.

The Stauffer farm in Essex was described as a research farm. That made sense in the context of all that the evidence disclosed about Stauffer's activities.

Accordingly, the injunction would be modified to provide that it should not extend to acts done for experimental purposes relating to the subject matter of the invention in laboratories or glasshouses in the UK, or on the Stauffer farm in Essex.

The second category of field trials for which Stauffer sought relaxation of the injunction covered trials to be carried out by Stauffer's personnel on land rented by them on other farms.

What Stauffer wanted to do, by arrangement with farmers in different parts of the country, was to use Touchdown on different crops at different stages of the year, and at different concentrations.

They submitted with obvious force that if it was necessary to experiment to see whether what was successful in the laboratory or glasshouse worked successfully out of doors, it was necessary that the experiments should be carried out in different soil conditions and in different climatic conditions.

The real problem, however, was whether in the light of all Stauffer had already done, culminating in the commercial launch of Touchdown in August 1983, the field trials could fairly be classified as experimental.

The evidence was that there was as yet no legislation to regulate the sale of herbicides in the UK. Nevertheless, major manufacturers and distributors did not market products until they believed them to be safe and efficacious.

There were two non-statutory schemes for the testing of agrochemicals. The Pesticides Safety Precautions Scheme (PSPS) operated by the Minister of Agriculture in conjunction with the Health and Safety Executive, and the Agricultural Chemicals Approval Scheme (ACAS) operated by the Minister through the Agricultural Chemicals Approval Organisation.

Under the PSPS clearance of a herbicide would normally follow four stages. Stage 1 was for trials clearance. Details of chemistry, etc., must be supplied. Once satisfactory data had been generated, submitted and reviewed, limited sales clearance (Stage 2) would be granted.

Application might then be made for provisional commercial clearance (stage 3) giving further details, including chronic toxicity, effects on fish, bees and birds, and residues in the soil. Once provisional commercial clearance was granted, extensive advertising and sales were permitted.

Further information must still be supplied and provisional commercial clearance must be renewed on an annual basis, until full commercial clearance (stage 4) was obtained on the basis of that further information.

The purpose of ACAS was to enable users to select and advisers to recommend efficient and appropriate proprietary brands and to discourage the use of unsatisfactory products. Approval under ACAS could not be given until a products safety had first been established at least to the provisional commercial stage under PSPS.

Stauffer had been granted provisional commercial clearance (stage 3) before the commercial launch in August 1983, but they had not yet been granted full commercial clearance. It appeared that it was towards full commercial clearance

Mr Justice Falconer concluded that the proposed trials were not to satisfy Stauffer that they could manufacture Touchdown commercially because they had been in commercial production since 1983, but that the purpose was to extend the potential market.

Trials carried out to discover something unknown or to test a hypothesis, or even in order to find out whether something which was known to work in specific conditions would work in different conditions, could fairly be regarded as experiment.

But trials carried out to demonstrate to a third party that a product worked, or in order to amass information to satisfy a third party that the product worked as its maker claimed, were not acts done "for experimental purposes."

On the evidence before the court the proposed category (2) field trials would not be for experimental purpose. They would be carried out in order to obtain the approval of the PSPS and ACAS.

The injunction should therefore not be modified to permit Stauffer to carry out field trials in category (2).

By the same reasoning, the injunction should not be modified to permit them to carry out field trials in category (3), to be carried out on their own lands by ADAS, the Forestry Commission, certain water authorities and others.

The injunction should be modified to the extent indicated, but no further.

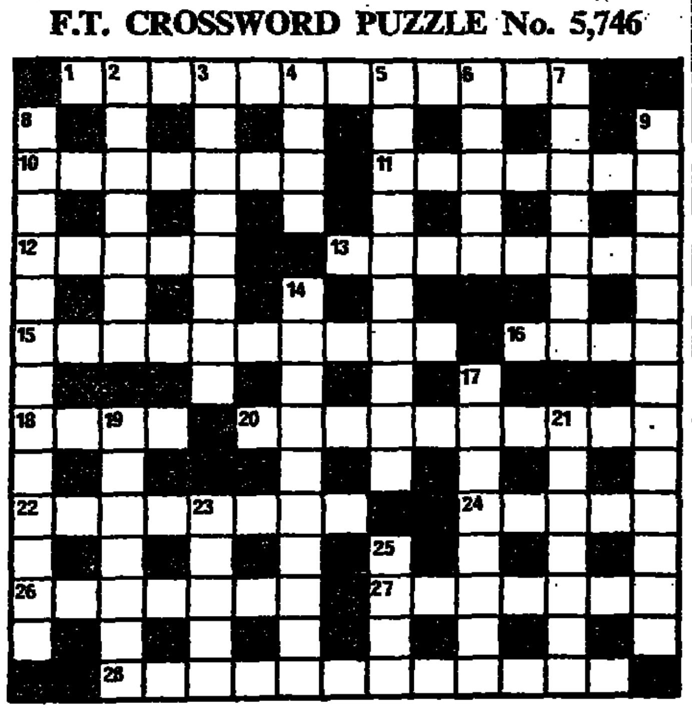
Lord Justice Watkins and Lord Justic Buckley agreed.

For Monsanto: Stephen Gratwick QC and Michael Fysh (Bristows Cooke and Carpmael).

For Stauffer: Julian Jeffs QC and Christopher Floyd (McKenna and Co.).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,746



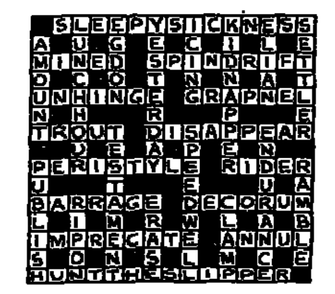
ACROSS

1 English tea-urn to MCC could be suitable equipment (12)
10 Woke up and changed (altered) (7)
11 Interlace drink after county loses capital (7)
12 Its edge is quite critical (5)
13 Get first off at Henley with excitement — gas (8)
15 Turn it around with debts. It's beneficial (10)
16 Dad's temporarily including part of pipe (4)
18 Wine joint (4)
20 Dragon's weapon, traditionally (7, 3)
22 There's no charge for this particle of information in physics (8)
24 Return to desert for getting fortune? (5)
26 Tom's shout shows disapproval (3-4)
27 The Spanish in dance, very fruity (7)
28 Impolite at tennis, perhaps? (12)

DOWN

2 Can he dispense with accuracy? (7)
3 Broadcasting about the tune (2, 3, 3)
4 To imitate a commotion (2-2)
5 With plenty of activities, incidentally (10)
6 Application for the sports? You need such form (5)
7 Missile for travel in explosive (7)
8 Take unsafe steps below a certain point? (4, 2, 4, 3)
9 Resolute movement for decision reached (13)
14 One-ton roller crashes in passage for players (10)
17 Example in batting position (8)
19 Reckoned was significant (7)
21 Standard place almost, for upstart (7)
23 Smear all round the papers (5)
25 Successful person seen at night (4)

Solution to Puzzle No 5,745.



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	62.7	66.7	+0.2	3.41
Accum Units	92.7	98.6	+0.2	3.41
Pearl Inc	87.1	92.7	+0.5	4.98
Pearl Unit Tst	90.9	96.7	+0.3	4.14
(Accum Units)	153.8	163.6	+0.6	4.14

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	179.7	193.0	+2.9	1.49
Income	135.9	145.6	+2.8	5.45
Worldwide Recovery	103.3	110.9	+0.9	2.10
American Growth	56.8	61.0	+0.2	0.65
Intl. Emerging Cos.	58.5	62.8	+0.3	0.77
Far East Growth Fd.	47.2	50.7	-0.1	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	102.6	109.9	+0.3	0.57
Prolific Extra Inc.	61.6	65.9	+0.7	5.86
Prolific Gilt Cap.	79.3	82.5		3.35
Prolific High Inc	127.0	135.1	+0.5	5.35
Prolific Intl	83.9	89.9	+0.7	1.62
Prolific N. Amer.	117.8	126.2	+0.8	1.50
Prolific Spec. Sits	141.1	150.1	-0.2	1.60
Prolific Technology	105.3	112.8	-0.3	0.87

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49.6	52.5	+0.7	0.00
Worldwide	47.9	50.7	+0.4	1.61
European Trust	47.5	50.3	+0.2	0.93
North American	52.5	55.6	+0.2	1.10
UK Equity	48.1	51.0	...	3.12

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Holborn Equity Tst	317.4	337.6	+3.0	3.75
Holborn Gilt Tst	148.5	155.5	+0.2	9.09
Holborn High Inc	52.9	56.2	+0.3	7.37
Holborn Intl	57.3	60.9	+2.1	0.97
Holborn UK Growth	62.6	66.5	+0.4	3.33

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd	313.5	333.6	...	3.54
Quadrant Income	179.5	189.0	...	6.52
Quadrant Intl. Fund	300.6	316.5	-6.1	1.50
Quadrant Recovery	193.9	204.2	...	2.82

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-628 6011

Wellington Inc	48.6	51.7	...	6.00
Wellington Growth	100.2	106.6	...	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

British Life	131.9	139.9	+1.2	4.65
Reliance Unit Tst (Inc)	84.5	90.3	+0.4	4.23
Reliance Ut Tst (Acc)	109.0	116.5	+0.6	4.23

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	90.2	96.5		7.00
International UT	211.7	226.4	+1.3	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	233.6	248.8	-0.2	1.36
NC America (Acc)	248.2	261.2	-0.1	1.36
NC Engy Res. Tst.	162.8	171.3	-0.1	2.40
NC Inc Fd.	67.3	70.8	+0.3	5.04
NC Japan Fund	109.0	114.7	+0.1	0.02
NC Smaller Cos	105.7	111.2	...	2.11
NC Smaller European	100.6	105.8	-1.3	0.83
NC Exempt Gilt Tst*	£116.0	121.0	...	11.18
NC American Prop*	$11.21	11.80	...	—
NC Prop.*	185.0	194.8	...	—

*Unauthorised Unit Trusts.

Rowan Unit Trust Mngt. (a)
1 Finsbury Av, London, EC2M 2PA. 01-606 1066

American June 13	194.5	198.5	...	1.54
Securities June 11	550.0	565.0	...	2.59
High Yield June 14	124.0	127.5	...	6.16
Merlin June 5	260.5	268.5	...	2.01
Fixed Interest	147.5	148.5	...	2.90
High Interest	115.5	116.5	-2.5	12.76
Far East June 11	123.5	127.0	...	1.09

Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS. 051-227 4422

Equity Trust	46.9	49.8	+0.3	3.16
International Trust	55.6	59.1	+0.3	1.65
United States Trust	27.7	29.4	+0.1	1.93
Pacific Basin	24.2	25.7	+0.2	0.61
Gilt Trust	24.4	25.6	-0.1	8.28

Royal London Unit Tst Mgrs Ltd
Ryl. Ldn Hse., Colchester, CO1 1RA 0206 576115

American Grwth	66.3	70.6	+0.5	1.27
Capital Accum	139.6	148.6	-1.5	3.38
Gilt Income	49.9	52.6	-0.3	9.74
High Income	55.9	59.5	+0.6	7.04
Income & Growth	67.4	71.8	+0.7	4.18
Japan Growth	47.9	51.0	+0.3	0.10
Special Sits	76.5	81.4	+0.6	2.15

Royal Trust Can. Fd. Mgt. Ltd.
48-50, Cannon St, London EC4N 6LD. 01-236 6044

Capital Fund May 31	149.4	159.8	...	1.9
Income Fund May 31	119.9	128.2	...	6.9
Intl Exempt* May 31	£22.54	23.35	...	3.00

*Unauthorised

SKG Management Limited
20 Copthall Ave, EC2R 7JS. 01-600 7595

Gilt Acc.	106.8	111.3	...	3.59
Do. Dist.	105.0	109.4	...	3.59
Inc & Grwth In Rtmnt	126.0	134.0	...	2.94
Do. Accum.	126.0	134.0	...	2.94

Save & Prosper Group
28, Western Rd., Romford, RM1 3LB.
68-73 Queen St, Edinburgh EH2 4NX.
(Romford) 0708-66966 or (Edin.) 031-226 7351

[illegible]

Schroder Unit Trust Managers Ltd.
Enterprise House, Portsmouth. 0705 827733

[illegible]

Scottish Equitable Fund Mgrs. Ltd.
31 St Andrews Sq, Edinburgh 031-556 9101

[illegible]

Scottish Life Investments
19 St Andrew Sq, Edinburgh 031-225 2211

[illegible]

Scottish Mutual Investment Managers Ltd.
109 St. Vincent St, Glasgow G2 5HN. 041-248 6100

[illegible]

Scottish Provident Inv. Mgt. Ltd.
6 St Andrew Sq, Edinburgh 2. 031-556 9181

[illegible]

Scottish Unit Managers
29 Charlotte Sq, Edinburgh. 031-226 4372

[illegible]

Scottish Widows' Fund Management
P.O. Box 902, Edinburgh EH16 5BU. 031-655 6000

[illegible]

Standard Life Trust Mgmt. Ltd.
3, George St., Edinburgh, EH2 2XZ. 031 225 2552

[illegible]

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq, Edinburgh. 031-226 3271

[illegible]

Sun Alliance Fund Management Ltd.
Sun Alliance Hse, Horsham. 0403 56293

[illegible]

Sun Life Trust Mgmt. Ltd.
107 Cheapside, EC2V 6DU. 01-606 6010

[illegible]

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks. 0732 450161

[illegible]

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	97.8	104.1	+0.3	1.19
Do Accum.	100.6	107.1	+0.3	1.19
TSB Extra Income	85.3	90.8	+0.2	6.20
Do. Accum	95.0	101.1	+0.3	6.20
TSB General	177.6	125.1	+1.2	3.36
Do. Accum	187.	199.5	+1.9	3.36
TSB Gilt & Fxd Int	46.4	48.4		9.54
Do. Accum	56.1	58.5		9.54
TSB Income	158.8	169.0	+1.9	5.01
Do. Accum.	239.5	254.8	+2.3	5.01
TSB Pacific	104.0	110.7	+0.1	1.06
Do. Accum	106.6	113.5	+0.1	1.06
TSB International	228.8	242.6	+1.1	1.90
Do. Accum.	277.5	295.2	+1.4	1.90
Natural Resources	45.6	48.6	+0.3	2.65
Do. Accum	46.1	49.1	+0.3	2.65
TSB Slcet. Opps.	46.8	49.8	+0.3	2.47
Do. Accum	50.3	51.5	+0.3	2.47

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	66.0	70.6	-0.8	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	67.7	72.4	+0.7	0.26
Australia	26.5	28.3	-0.2	0.10
Commodity	93.5	100.5	-0.4	1.72
Energy	43.3	46.3	...	0.75
Equity	98.1	104.6	+1.1	3.79
European Spec. Sits.	50.1	53.6	...	0.93
Extra Income	92.0	98.4	+0.3	7.37
Financial	197.0	210.1	+1.0	2.93
Gilt Capital	212.7	222.7	+0.3	3.25
Gilt Income	100.5	105.2	-0.5	9.10
Gold Income	61.6	65.9	...	2.32
Gold Acc.	111.7	119.5	...	2.32
Income	56.3	60.5	+1.0	6.19
Japan	44.5	47.5	+0.6	0.10
Malaysia & Singapore	25.7	27.4	-0.3	1.08
Pacific Income	66.3	70.9	+1.0	0.88
Pacific Re Inv	80.5	86.1	+1.2	0.88
Preference Share	15.8	17.0	...	10.19
Professional	478.3	510.2	+2.3	1.71
Special Sits	84.7	90.6	+1.1	2.48
Technology	39.9	42.7	+0.5	0.10
U.S. Special Bond	49.9	53.4	+0.3	6.36
Worldwide Capital	111.2	118.6	+0.8	1.75
Equity Exempt June 4	632.9	675.1	...	2.46
Equity Ex Acc June 4	1163.3	1240.8	...	2.46

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

Electra Small Cos. Fd.	125.80	132.72	...	3.78
High Income	41.4	44.5	...	7.62
North American	105.1	111.8	...	0.69
Recovery	117.6	125.1	...	3.94
Gilt Trust	37.2	38.5	...	9.40
St Vincent U.S. Gwth	69.8	72.8	...	0.83
St. Vincent High Inc	67.2	69.3	...	6.27

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	26.4	28.4	+0.2	0.26
TR General Growth	37.9	40.5	+0.3	2.45
TR Global Tech.	27.8	29.6	...	0.10
TR Income Growth	43.9	47.3	+0.3	5.06
TR Income Monthly	38.7	41.2	+0.1	7.45
TR Overseas Growth	33.1	35.2	...	1.78
TR Smaller Cos.	39.7	42.3	-0.1	1.92
TR Special Ops	41.6	44.8	...	1.23

Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

TUUT June 1	134.5	141.6	...	3.59

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford. 0245-51651

Colemco June 14	368.9	385.9	...	4.56
(Accum. Units)	589.2	615.5	...	4.56
Fielding Fd June 13	192.0	206.1	...	3.60
(Accum. Units)	208.5	223.7	...	3.60
Fielding Inc June 13	131.3	140.8	...	5.62
Fielding AM&Gen Je 13	208.9	221.7	...	1.95
(Accum. Units)	234.8	249.3	...	1.95
S&W American June 12	148.2	148.2	...	2.15
S & W Smaller Secs	95.3	100.3	...	2.00

Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol. 0272 732241

Australian Securities	59.3	63.5	+0.4	0.77
(Accum. Units)	61.2	65.5	+0.5	0.77
Capital	260.8	276.6	+2.8	4.11
(Accum. Units)	450.6	477.5	+5.0	4.11
Exempt	220.2	234.6	-0.3	7.40
(Accum. Units)	477.0	508.2	-0.6	7.40
Far Eastern	117.9	126.6	-0.4	1.03
(Accum. Units)	125.2	134.4	-0.4	1.03
Fin & Prop	39.5	42.1	+0.1	4.36
(Accum. Units)	59.8	63.7	+0.2	4.36
Gilt Capital Trust	112.8	117.3	+0.2	7.25
(Accum. Units)	123.5	128.4	+0.2	7.25
Gilt Income	102.5	106.4	+0.2	10.32
(Accum. Units)	154.3	160.1	+0.3	10.32
High Yield	39.9	42.5	+0.1	7.15
(Accum. Units)	83.0	88.4	+0.2	7.15
Income	171.2	181.6	+0.4	6.64
(Accum Units)	505.4	535.8	+1.2	6.64
Int. Erns	125.2	133.4	+0.8	3.10
(Accum. Units)	177.6	189.2	+1.2	3.10
International Grwth.	55.9	59.6	-0.1	1.78
(Accum. Units)	57.2	61.0	-0.1	1.78
Japan Growth (Acc)	60.1	64.6	-0.1	0.20
Natural Resources	187.2	199.4	+2.8	1.97
(Accum Units)	265.6	283.0	+3.8	1.97
Nth Amer Grth	105.5	112.9	+0.3	1.65
(Accum Units)	119.6	128.0	+0.4	1.65
Pref	107.6	114.6	-0.2	11.34
(Accum Units)	256.2	273.0	...	11.34
Smaller Cos.	142.4	151.7	-0.4	2.76
(Accum Units)	186.7	198.9	-0.4	2.76
Smaller Cos. Div.	309.2	329.4	-0.6	7.02
(Accum Units)	328.8	350.2	-0.6	7.02
Special Sits	83.5	89.0	+0.3	2.66
(Accum Units)	85.9	91.5	+0.5	2.66
European Growth	52.3	55.8	-0.1	1.40

Unit Trust Account & Mgmt. Ltd.
Regis Hse, King William St, EC4R 9R. 01-623 4951

Friars Hse. Cap. Fd.	102.9	109.5	-3.3	2.29

Vanguard Trust Managers Ltd.
Bath Hse, London, EC1A 2EU. 01-236 5080

[illegible]

Wardley Unit Trust Managers Ltd (a)
Wardley Hse, 7 Devonshire Sq, EC2. 01-626 4411

[illegible]

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh. 031-225 1551

[illegible]

Whittingdale Unit Trust Managers
2 Honey Lane, EC2V 8BT. 01-606 9085/6

Short Dtd Gilt Fd	55.8	56.7	...	1.50

Wright Seligman Fund Managers Ltd.
11, Blomfield St., London, EC2M 7AY. 01-588 0592

Growth Fund	54.7	57.7	...	1.99

Weekly dealing day Tuesday.

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93, Cardiff CF1 4NW. 0222 35542

[illegible]

Abbey Life Assurance Co. Ltd.
1-3 St Paul's Churchyard, EC4P 4DX. 0202 292373

[illegible]

Aetna Montagu Life Insurance Co. Ltd.
401 St. John St., London, EC1V 4QE. 01-837 6494

[illegible]

Albany Life Assurance Co. Ltd.
3, Darkes Lane, Potters Bar. 0707-42311

[illegible]

Ambassador Life Ass. Co. Ltd.
80 Holdenhurst Rd, Bournemouth BH8 8AL 0202 292345

[illegible]

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Equitable Life Assce. Soc.
31, St Andrew Sq, Edinburgh. 031 556 9101

Mixed	214.1	225.4	+7.2	—
Equity	238.4	251.0	+4.8	—
Property	119.9	126.3		—
Fixed Interest	128.2	135.0	+0.3	—
International	221.4	233.1	−1.0	—
Index Linked	108.9	114.7	−0.4	—
Cash	120.60	126.95	+0.13	—
Edinburgh Inv	110.8	116.7	−0.5	—
Edinburgh American	111.5	117.4	−0.8	—
Baillie Gifford Japan	99.3	104.6	+1.1	—

Scottish Life Investments
19 St Andrew Square, Edinburgh. 031-225 2211

Property	104.8	110.4		—
UK Equity	122.1	128.6	+1.0	—
American	132.8	139.9	+0.2	—
Pacific	100.6	106.0	+0.3	—
European	117.8	124.1	−0.1	—
International	115.5	121.5	+0.3	—
Fixed Interest	101.3	106.8	+0.1	—
Index Linked	100.9	106.4	−0.4	—
Deposit	102.8	108.3	+0.1	—
Managed	111.2	117.2	+0.3	—
Pens. Property	108.5	114.4	+0.1	—
Pens. UK Equity	128.8	135.7	+1.2	—
Pens. American	140.9	148.4	+0.2	—
Pens. Pacific	102.6	108.1	+0.1	—
Pens. European	123.1	129.7		—
Pens International	120.8	127.3	+0.8	—
Pens. Fixed Int.	104.6	110.2	+0.2	—
Pens. Index Linked	103.5	109.1	−0.4	—
Pens. Deposit	108.2	114.0	+0.1	—
Pens. Managed	115.6	121.8	+0.3	—

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Flex End April 20	619.4	638.4		—
Pen Mngd April 20	421.8	434.8		—

Scottish Mutual Investments
109 St Vincent St., Glasgow. 041-248 6321

Safety Fund	95.0	100.1	−0.2	—
Growth Fund	95.0	100.1	+0.3	—
Opportunity Fund	94.2	99.2	+0.4	—
Cash Fund	95.3	100.4		—
European Fund	95.7	100.8	−0.5	—
Gilts & Fxd Int Fund	96.5	101.6	+0.2	—
Index-Linked Fund	95.3	100.4	−0.1	—
International Fund	94.6	99.6		—
North American Fund	92.4	97.3	−0.4	—
Pacific Fund	93.7	98.7	−0.6	—
Property Fund	95.3	100.4		—
UK Equity Fund	94.0	99.0	+1.0	—
UK Smaller Cos. Fund	95.8	100.9	+1.2	—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh. 031-556 9181

Sun Life Unit Assurance Ltd.
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	315.6	332.3	−1.9	—
Property Acc.	196.8	207.2	+0.1	—
Equity Acc.	436.1	459.1	−3.3	—
Fixed Interest Acc.	182.8	192.8		—
Index-Linked Acc.	104.2	109.7	−0.4	—
Cash Acc.	166.1	174.9	+0.1	—
American Equity Acc.	177.7	187.1	−0.8	—
U.S. Bonds Acc.	112.1	118.0	+1.6	—
Japan Acc.	112.5	118.5	−0.8	—
Pacific Acc.	101.9	106.7	−2.6	—
Far Eastern Acc.	236.7	249.2	−2.5	—
International Acc.	224.2	236.0	−1.9	—
U.S. Dollar Acc.	103.9	109.4		—
Yen Acc.	97.1	102.3	−0.1	—
European Currency Acc.	95.5	100.6		—
Distribution	142.1	149.6	−0.3	10.11

Sun Life Pensions Management Ltd
(funds for individual pension contract)

Pens. Managed Acc.	512.3	539.8	−1.1	—
Pens. Property Acc.	160.0	168.5	+0.1	—
Pens. Equity Acc.	394.5	415.3	−2.6	—
Pens. F. Interest Acc.	172.9	182.1	+0.3	—
Pens. Ind. Lnkd. Acc.	106.1	111.7	−0.3	—
Pens. Cash Acc.	168.0	176.9	+0.2	—
Pens. Amer. Equity Acc.	147.6	155.4	−1.2	—
Pens. U.S. Bonds Acc.	132.8	139.8	+1.8	—
Pens. Japan Acc.	117.9	124.2	−0.9	—
Pens. Pacific Acc.	122.2	128.7	−3.0	—
Pens. Far Eastern Acc.	354.8	373.5	−1.5	—
Pens. Internat. Acc.	292.5	307.7	+0.1	—
Pens. U.S. Dollar Acc.	109.8	115.6	+0.1	—
Pens. Yen Acc.	100.8	106.3	−0.3	—
Pens. Euro. Curr. Acc.	95.0	100.0	−0.1	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450161

Equity	£179.43	184.97		—
Fixed Int.	£129.16	129.80		—
Index Linked	£109.79	110.54		—
Property	£145.45	149.94		—
Cash	£118.47	118.47		—
Mixed	£165.11	170.71		—
International	£128.72	132.70		—

Next sub day June 12

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	119.6	126.0	−0.6	—
Property Fund	108.0	113.8		—
Fixed Int Fund	112.4	118.4	+0.2	—
Money Fund	107.6	113.4	+0.1	—
Equity Fund	142.8	150.4	−1.0	—

Arbuthnot Securities (C.I.) Ltd.
P.O. Box 428, St. Helier, Jersey.

Dollar Income Tst (z)	$1.070	1.122
Gov't Secs. Tst.	73.0	76.9
Yen Bond*	Y199	209
Sterling FdT	180.1	180.7
Japan Growth*	219.1	235.6

Next dealing *June 20.

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey.

Dollar Fund	$10.45	10.53
Sterling Fxd Interest	£9.85	9.89

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Bamford Brandt Guernsey Mngt.
PO Box 71, St Peter Port, Guernsey

Tech and Comm.	£7.69	8.16
Int. Growth	$15.01	15.86
Pac. Basin Fund	$26.29	27.91

Bank of America International S.A.
35 Boulevard Royal, Luxembourg GD

Worldinvest Inc. $124.65 125.28
Valued weekly on Wednesday

Bank of Scotland
4 Don Rd, St. Helier, Jersey.

Mon Mkt Chq Acc Jersey 12.05

Barclays Isle of Man Prime Acc
PO Box 9, Douglas, IoM

High int. chq 12.00

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey.

OFFSHORE AND OVERSEAS

Schroder Life Assurance Int. Ltd.

Mngd. Curncy Life Fd.	664.2	713.7		—
£ Fixed Int Life Fd.	801.2	860.9		—
£ Equity Life Fd.	193.3	207.7		—
$ Fixed Int Life Fd.	153.4	164.9		—
$ Equity Life Fd.	185.5	199.3		—
£ Managed Life Fd.	138.2	148.5		—
Hong Kong Life Fd.	9.655	10.374		—

Prices June 12 Next dealing June 19. *Daily dealing.

Scrimgeour Kemp-Gee Mngmt., Jersey
1, Charing Cross St. Helier, Jersey. 0534 73741

SKG Capital Fund	339.6	349.9		—
SKG Income Fund	70.7	73.0		6.71
Gilt Bond	176.5	185.8		—

Securities Selection Ltd.
Bermuda Hse., St. Peter Port, Gu'nsy. 0481 26268

Forethead $6.94 7.28 —

Sentry Assurance International Ltd.
P.O. Box 1776, Hamilton 5, Bermuda. 58303
For Funds/Prices Phone UK 0927 41454

Seoul International Trust
Fund Man: Korea Invest Trust Co Ltd
c/o Vickers da Costa Ltd, King William Street, London, EC4 01-623 2494
NAV Won 8,945.50. IDR value US$10,221.14.

Seven Arrows Fund NV
62 de Ruyterkade, Curacao, Netherlands Antilles

NAV $747.43

Singer & Friedlander Ldn. Agents.
21 New St. Bishopsgate EC2M 4HR 01-623 3000

Tokyo Tst May 31 $6.40 3.10

Skandifond International Ltd
P.O. Box 44, Guernsey, C.I. 0481 27111.

International Inc.	$5.21	5.59	3.00
International Acc.	$5.23	5.61	3.00

Societe Generale Merchant Bank Ltd
60 Gracechurch St, London EC3V 0ET. 01-626 4621

Fr Second Marche Gwth. FFr7069.06 7352.00 −109

Standard Bank Fund Managers

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV $11.10

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd $12.48 +0.05
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.55	+0.17
Dynamic Gwth Fd	$8.17	−0.04

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	12.3			
The Money Market Trust 63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fnd	12.44	9.30	13.76	
7-day Fnd	12.80	9.57	14.17	
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	12.14	9.07	13.38	
7-day Fund	12.37	9.25	13.64	
Dollar	6.37			
Money Mngt. Acct.	12.00	8.97	13.43	

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq Edinburgh, EH2 4DF			031-225 8484	
Full Service Chq Acc.	12.25	8.75	13.0	
Aitken Hume 30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc.	12.375	9.25	13.87	
Mth. Int. Chq.	12.25	9.16	13.98	
Bank of Scotland 38 Threadneedle St, EC2P 2EH.			01-628 8060	
Cheque Acc.	12.05	9.00	13.40	

COMMODITIES AND AGRICULTURE

Congress committees study farm loan changes

By Nancy Dunne in Washington

U.S. SENATE and House of Representatives Agriculture Committees, struggling to come up with a 1985 farm bill acceptable to both the Reagan Administration and the far-proposal which would remove the loan rate as a floor for U.S. grains prices.

The "marketing loan" concept, introduced by Republican Senator Thad Cochran, has gained support of most of the major commodity groups. Instead of lowering the Government loan rate as the administration has requested, the proposal would freeze loan rates at current levels $3.30 for wheat and $2.55 for maize). However, farmers would repay the loans they borrow for operating expenses each year after they sell their crops at a rate linked to world market prices.

"We would no longer have to worry about competitiveness, said an aide to Senator Cochran. "It would give agriculture secretary John Block all the flexibility he has been crying for."

Currently, the loan rate sets a price floor on American grains. When prices fall below the rate, American farmers either store their grain until prices rebound or forfeit it to the Government.

The new proposal would reduce the massive government grain stockpile, and save the costs of storage and interest, which the government helps the farmers pay on their loans. It also preserves the "target price" scheme, which pays farmers individual subsidies if they participate in acreage reduction programmes.

This proposal is seen by Senator Cochran as a compromise between the administration, which wants drastically lower loan rates, and the status quo. Itis gaining strong support in the House, where agriculture committee chairman, Mr Kika de la Garza, expects to start writing the final bill, after the July 4 recess.

Surprise fall in copper stocks

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES advanced on the London Metal Exchange yesterday following an unexpected decline in warehouse stocks last week. The fall in stocks of 2,625 tonnes to 107,550 tonnes followed several weeks of stock increases and took some traders by surprise. Indeed on Friday there were forecasts of a further large increase in warehouse holdings, which proved to be off beam.

As a result the cash price for higher grade copper gained £11 to £1,127.5 a tonne, while the three months quotation closed £8 up at £1,139.25.

A surprise fall in warehouse stocks also boosted zinc. After declining steadily last week the cash price yesterday gained £9 to £577.5 a tonne.

Noranda, of Canada, formally announced a cut in its European producer selling price of $50 to $880 a tonne, in line with similar reductions announced by other producers last week.

The modest increase in warehouse stocks of lead helped narrow the premium of the cash price over the three months quotation bringing them almost level.

Reuter reported from New York that union workers at St Joe's lead smelter in Herculaneum, Missouri, have requested a meeting with the company to re-open negotiations on a new labour contract. The last contract expired on June 9, without any new terms being agreed, but employees have continued to work.

● The Commodity Exchange Inc (Comex) of New York said it will file a proposal for trading options on copper futures with the U.S. Commodity Futures Trading Commission (CFTC).

A Comex spokesman was unable to say when the filing would occur but expected it soon. Copper options would be the third option product traded on Comex, with gold and silver futures.

Rise in spread sales lifts butterfat gloom

BY OUR COMMODITIES STAFF

PROSPECTS FOR UK butterfat sales may not be as gloomy as has been suggested, according to Dairy Crest, the marketing arm of the Milk Marketing Board.

In its 1985 Yellow Fats Report Dairy Crest says that although consumption of butter and some margarines declined last year there was a "dynamic rise" in sales of spreads

"Spreads offer the consumer either reduced fat or spreadability convenience," the report says. "They provide increased opportunities for sales, trade profitability and therefore an expanding market for producers' output."

The report examines the factors and trends which affected sales of yellow fats in 1984, when the market was valued at £733m.

The main factor influencing the housewife in her choice of yellow fat is price, claims the report, citing increases in volume sales of butter during the first three months of this year when the cheaper EEC butter was on the store shelves.

"One way to make the price more attractive," says Mr Michael Bessey, Dairy Crost Foods' managing director, "is for the EEC to allow a permanent all-year round consumer subsidy.'

The report cautions that the over-supply situation will require a more imaginative response from the EEC. "It is 'highly anomalous' that the UK Government has continued to support special access of New Zealand butter supplies to the UK market while the EEC butter mountain has continued to grow," it says.

Tea prices ease at London auction

By Our Commodities Staff

TEA PRICES eased slightly at yesterday's weekly London tea auction. Quality tea was quoted at 205p a kilo (nominal), unchanged from last week's sale, but medium grade averaged 155p, down 5p, and low medium 116p, down 2p.

There were 32,020 packages on offer, including 6,180 in the offshore section.

The Tea Brokers' Association said selective demand was seen for end of season offerings from Assam, which tended lower in price. Some bright Africans and colouny mediums were somewhat dearer but others fell by 4p to 8p a kilo. The few bright Ceylons on offer sold at firm to dearer levels but poorer types were generally 5p lower. Fair demand was seen for offshore offerings.

● THE CRISIS in India's jute manufacturing industry is still worsening, in spite of recent action to bring down raw jute prices and to encourage dishoarding.

Four more mills have closed, taking the number idle to 21 out of the total of 63 in the industry. With more than a third of the industry's production capacity laid up mill output in May fell to 56,000 tonnes from 63,900 tonnes in April and 180,500 tonnes in May 1984.

There was a substantial increase, however, in stocks held at the mills, reflecting sluggish market demand caused by high jute goods prices.

Indian Jute Mills Association officials blame the industry's problems on a combination of high raw jute prices, slack demand for goods and industrial relations problems

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending June 15)

		tonnes
Aluminium	−2,725 to	96,100
Copper	−2,625 to	107,550
Lead	+250 to	35,375
Nickel	+420 to	5,322
Tin	+120 to	22,750
Zinc	−1,750 to	39,575
		ounces
Silver	−90,000 to	49.87m

Cure for EEC grain problem

Farmer's viewpoint: John Cherrington suggests old-style crop rotation as a cure for cereals surpluses

THE AGRICULTURAL landlords of the 19th century had the answer to over-production of cereals. Because of the belief, well founded in those days, that continuous cereal cropping led to a deterioration in soil fertility, to say nothing of crop diseases, tenant farmers—at that time some 90 per cent of the whole—had to follow the rules of good husbandry.

These laid down, among other things, that no straw crop, ie, wheat, barley or oats should follow another. This meant that half the arable acreage on any farm would be devoted to other crops. These rules were an essential part of every lease and a farmer who disregarded them could lose his tenancy. They came to be ignored during the inter-war depression through a combination of the spread of owner occupation, and the fact that landlords were desperate to let their farms to anyone. They would shut their eyes to whatever systems the tenant cared to indulge in.

My first tenancy agreement contained these strictures, but Parliament had modified them to the extent that a tenant had freedom of cropping, except in the last year of tenancy. Here was the catch. To get the farm back into rotation, usually a four-course one based on a four year sequence, one should have farmed under it for the last four years. If you did not you could be dilapidated for your sins. This ceased to be a problem for me when I was able to buy my farm, and do whatever I liked. Even so I must confess to a definite feeling of guilt when I grow two wheat crops in succession. When I have three, as I do sometimes, it turns to apprehension and I keep the sprayer at the ready in case pests or diseases try to punish me for my heresy.

So far we seem to have got away with it as far as pests and diseases are concerned but now the problem is the EEC. Too much cereal is being grown and the search is on for alternative crops. The obvious criteria for these are: that they should be as profitable to grow as cereals, are at the moment; that they should not be too heavily supported by the EEC and hence provide an excuse for the imposition of production quotas and other restrictions; and they should, if possible, be beneficial to the soil.

Bearing all these criteria in mind the choice is very limited. I do plant a sixth of my acreage to grass for feeding the sheep, which would not be profitable without the EEC sheepmeat regime on my type of farm. I believe I grow better crops after the sheep, but my neighbours without them seem to be just as successful.

I was one of the earliest growers of oilseed rape but never found it to be very profitable either for itself or as a break for cereals. It too is heavily supported. A similar crop is turnips for seed. These are like rape to grow and I have a small acreage. This year's crop was planted on land where none had been grown for at least 50 years and should have been free of any pests or diseases. Every week it seems an inspector calls and says there are pollen beetles or weevils to be killed. Where do they come from?

The same applies to a new crop. Broad beans for seed are especially favoured by the larger birds. Rooks dig up the seeds and pigeons eat the leaves. They are not a very good crop and, being near the road, will doubtless prove irresistible to the week-end motorists. If the beans fail as a seed crop, there is an EEC subsidy for the remains as a protein source.

For several years now I have been growing peas for harvesting dry and used for canning. They are not particularly easy to get right and are very vulnerable to pigeons. During this cold spring they almost stopped growing at all and the pigeons did their best to eat them into the ground in spite of bird scarers. They are vulnerable to things like thrips and pea moths and very irregular in yield for no apparent reason.

As a legume they do produce nitrogen for the following crop, but mostly in the initial period of growth. Using bag nitrogen is a much more certain way of feeding plant growth but as a break crop they are probably the best. I do not grow sugar beet or potatoes because they are limited by quota and any way the land is unsuitable. There are other crops being tried — linseed, lupins and essential oil producers like evening primrose—but they don't look very practical at present.

The trouble is that we have learnt to grow cereals very well and they will be difficult to give up unless the EEC takes a leaf from the old landlords book and enforces the rules of good husbandry.

Timber pact members vie to host office

BY ANDREW GOWERS

MINISTERS AND officials from 32 countries breathed life into a new commodity pact yesterday —the International Tropical Timber Agreement (ITTA).

But as they started the first meeting in Geneva of the agreement's governing body, the International Tropical Timber Organisation's council, they seemed set to plunge straight into a row about the likely site of the tiny secretariat which will administer the pact.

No less than eight countries have been vying, with varying degrees of enthusiasm, to be chosen as host for the Organisation. The most vigorous campaigners include Japan, which import nearly half of all traded tropical timber and which wants the headquarters to be in Yokohama, Brazil and Indonesia —two of the largest tropical timber exporters.

The candidates are offering a range of inducements including free rent, rates, electricity and water—and in some cases, such as that of Japan, an implicit promise of extra funding.

Such is Japan's keeness to welcome the ITTO to its shores that Japanese delegates are reported to have attended a recent meeting on the Agreement loaded down with free gifts such as tooth brushes bearing the mark of Yokohama.

The prize for the meanest candidate will probably go to London, host of most other international commodity organisations, which has merely offered 80 per cent relief from rates.

The final size of the secretariat has yet to be decided. The U.S. is believed to be pressing for a staff as small as six, and the producers want up to 20.

Officials of the United Nations Confederation on Trade and Development (Unctad), under whose auspices the two-week council meeting is taking place, say the number of candidates reflects the intense interest in the ITTA both from consuming and producing countries.

But members with a large stake in tropical timber trade such as Japan are also probably keen to attract the Organisation so that they can wield a maximum amount of influence on it. For this reason, the headquarters is thought likely to go to a theoretically more neutral country such as the Netherlands, which is campaigning for Amsterdam.

The council meeting is also due to decide on an executive director for the ITTO.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

Official closing (am): Cash 810-.5-1 (806-7): three months 832-.5(827-8): settlement 811 (807). Final Kerb close: 826-7. Turnover: 11,875 tonnes.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	804-805	+1.0	811.5/810.5
3 months	825-825.5	+0.5	835/824

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1127-8	+11.0	1134/1133
Three m'nths	1139-8.1	+8.0	1146/1136

Official closing (am): Cash 1132-.5 (1119.5-20.5); three months 1144.5-5.5 (1135-.5); settlement 1132.5 (1120.5). Final Kerb Close:

CATHODES

Cathodes			
Cash	1116-1112	+7.0	—
Three m'nths	1139-9.5	+8.0	—

Official closing (am) Cash 1115-20 (1110-2); three months 1130-32 (1125-7); settlement 1120 (1112) Final Kerb Close: 1136-7 Turnover: 16,825 tonnes. U.S. Producer prices 66-68 cents per pound.

LEAD

Official closing (am): Cash 306.5-7 (307-8); three months 305.5-6 (302.5-3); settlement 307 (306). Final Kerk close: 304.5-5. Turnover: 6,025 tonnes. U.S. Spot: 19/21 cents per lb.
Spot: 19/21 cents per pound.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	304-306	—.25	307/306.5
3 months	303-304		306/304

NICKEL

Official closing (am): Cash 4395-400 (4360-70): three months 4300-5 (4310-5): settlements 4400 (4370). Final Kerb close: 4300-10. Turnover: 1416 tonnes.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	4380-4395	+27.5	4410/4390
3 months	4290-4300	—6.0	4320/4290

TIN

Official closing (am): Cash 9740-50 (9685-700): three months 9550-5 (9535-40); settlement 9750 (9700).

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9726-9728	—52.0	9726/9720
3 months	9530-9535	—29.5	—

Official closing (am): Cash 9740-50 (9695-95): three months 9550-1 (9535-40); settlement 9750 (9695). Final Kerb Close: 9520-25. Turnover: 1,880 tonnes. Straits tin $m29.45 kilo.

Standard			
Cash	9710-9720	+40.0	9750/9735
3 months	9530-9535	+29.5	9550/9525

ZINC

Official closing (am): 570-1 (560-2): three months 576-.5 (504-5); settlement 571 (562). Final Karb close: 578-78.5. Turnover: 12,340 tonnes. U.S. Prime Western: 44.60/47.75 per pound.

	Unofficial + or close(p.m.) £ per tonne	—	High/low
Cash	577-578	+9.0	—
3 months	578.5-579	+8.0	579.5/568.5

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	June 17 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1050/080	......	$1145/175
Copper			
Cash h Grade	£1127.5	+11	£1265.75
3 mths	£1139.25	+8	£1204.75
Gold troy oz	$319.25	+1.5	$320.5
Lead Cash	£305	—2.5	£298.5
3 mths	£303.5	—2.5	£302.5
Nickel			
Free Mkt	252/282c	+2	249/278c
Palladium oz	$99.25	+1.25	$110.00
Platinum oz	$270.25	+4.5	$277.80
Quicksilver†	$280 290	......	$280/290
Silver troy oz	487.45p	—0.95	517.15p
3 mths	502.25p	—0.35	532.30p
Tin cash	£9716	+40	£9560
3 mths	£9532.5	+29.5	£9517
Tungsten	$75.39	......	$74.36
Wolfram 22 04lb	$56/60	......	$66/71
Zinc	£577.5	+9	£647.5
3 mths	£578.75	+6.5	£663.5
Producers	$850/950	......	$888

OILS	June 17 1985	+ or —	Month ago
Coconut (Phil)	$605v	—10	$720
Palm Malayan	$570y	......	$605
SEEDS			
Copra Phil	$570z	—5	$430
Soyabean (U.S.)	$236w	—3.25	‡
GRAINS			
Barley Fut. Sept.	£93.50	—0.15	£99.250
Maize	£146.50	......	£150.0
Wheat Fut. Sept	£96.50	......	£120.80
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept.	£1736.5	—1	£1781.5
Coffee Ft. Sept.	£2112.5	—28	£2110.5
Cotton A Index	‡	......	66.05c
Gas Oil Aug.	$208.75	—2.5	$215
Rubber (kilo)	68p	......	64p
Sugar (raw)	$93vu	+4	$96
Wooltops 64s	457pkilo	......	461pkilo

‡ Unquoted. u Aug. v June-July. w Sept. y July. z July-Aug. † Per 76 lb flask. c Cents per pound.

GOLD

Gold rose $1½ to $318-319½ on the London bullion market yesterday. It opened at $317-317½, the lowest level of the day, and was fixed at $317.25 in the morning. In the afternoon the metal was fixed at $318.90 and touched a peak of $320¼-320¾. Trading was generally quiet, with the firmer tone in the afternoon attributed to news of a cut in small U.S. bank's prime rate by ½ per cent to 9½ per cent.

GOLD BULLION (fine ounce) June 17

Close	$319-319½	(£249½-250)
Opening	$317-317½	(£248¾-249¼)
M'ni'g fix.	$317.25	(£248.980)
Aft'n'nfix.	$318.90	(£249.804)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$326-328½	(£254¾-255¼)
½ Krug.	$166¾-168	(£130¼-131¼)
¼ Krug.	$84¾-85¾	(£66¼-67)
1/10 Krug.	$34¼-35¼	(£26¾-27½)
Mapleleaf	$329-329½	(£257¼-257½)
New Sov.	$75¾-76¼	(£59¼-59½)
½New Sov	$44¾-47¼	(£35-37)
Old Sov.	$77-78½	(£60¼-61¼)
$20 Eagle	$450-490	(£351¼-383)
Noble Plat	$277-280	(£216½-218¾)

SILVER

LME—Turnover: 32 (26) lots of 10,000 oz.

Three months high 505, low 502.5, final kerb 504-6.

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	487.45p	—0.95	488.0p	+2
3 months	502.25p	—0.35	503.5p	+2.5
6 months	516.75p	—0.28	—	—
12months	545.55p	—0.09	—	—

Silver was fixed 0.95p an ounce lower for spot delivery in the London bullion market yesterday at 487.45p. U.S. cent equivalents of the fixing levels were: spot 621c, down 2.7c; three month 632.85c, down 2.35c; six-month 644.75c, down 2.65c; and 12-month 669.95c, down 3.05c. The metal opened at 485½-488½p (619-622c) and closed at 489-492p (625-628c).

FREIGHT FUTURES

The market opened unchanged to easier today and amidst extremely quiet conditions continued to ease throughout the day. The apparent lethargy of the physical market continues to affect the futures hence the poor traded volume of only 37 lots.

The Baltic Freight Index was 927.5 + 1.5.

	Close	High/Low	Prev.
July	887/889	889/889	892/896
Oct.	916/918	921/918	921/932
Jan.	913/916	—	920/931
April	960/968	—	950/970
July	913/925	—	910/935
Oct.	975/980	—	972/980
Jan.	990/1025	—	985/1035
April	1065/1130	—	1060/1130

Turnover: 37 (91).

GRAINS

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
July	117.80	—0.86	—	—
Sept	98.30	—	97.30	—0.15
Nov	101.50	—	101.05	—0.15
Jan	105.20	—	104.65	—0.15
Mar	108.50	—	107.65	—0.10
May	111.75	—	110.65	—0.16

Business done—Wheat: July 118.50-8.00, Sept 98.30-8.05, Nov 101.50-1.20, Jan 105.30-5.00, Mar 108.40-8.30, May 111.50 only. Sales: 144 lots of 100 tonnes. Barley: Sept 97.30-7.20, Nov 101.00 only, Jan, Mar and May untraded. Sales: 10 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no. 1 15 per cent July 142.85, August 138.25, Sept 139.50, Oct 143.50 sellers transhipment east coast. U.S. no. 2 soft red winter July 128.50, August 128.50, Sept 129.50, Oct 132.25 sellers. EC harvest 118 quoted. English feed fob June £122, August-Sept 99.00, Sept. 100, Oct-Dec 104.50, Jan-March 110 sellers. Maize: U.S. no. 3 yellow/French transhipment east coast June 146.50 sellers. Barley: English feed fob July-August 97.50 seller east coast. Rest unquoted.

COFFEE

A lack of cold weather in the Brazilian coffee belt over the weekend put prices under selling pressure following origin sales last week, reports DBL. Prices fell consistently throughout the day, making new lows on the close on commission house liquidation.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2050 54	—37.0	2079-50
Sept.	2110-15	—26.0	2140-02
Nov.	2154-56	—35.0	2183 47
Jan	2195 02	—37.5	2220-90
March	2200 02	—26.5	2226-00
May	2180-00	—31.5	—
July	2190-00	-18.5	—

Sales: 1,684 (3,691) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for June 14: Comp daily 1979 133.26 (133.37); 15-day average 131.96 (131.92).

COCOA

In the absence of first-hand selling prices traded in a narrow range during the session with consumers content to remain on the side-lines awaiting changes in fundamental news, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1785-1786	—2.0	1792-1778
Sept.	1736-1737	—1.0	1742-1730
Dec.	1705-1706	+1.0	1710-1690
May.	1716-1717	—	1722-1718
May	1728 1730	—1.5	1735-1725
July	1737-1742	+3.0	1740-1736
Sept.	1740-1755	+3.5	—

Sales: 2,105 (3,099) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for June 17: 94.19 (96.15); five-day average for June 18: 95.47 (95.78).

INDICES

FINANCIAL TIMES

June 14	June 13	M'th ago	Year ago
278.29	278.86	287.19	301.02

(Base: July 1 1952 = 100)

REUTERS

June 17	June 14	M'th ago	Year ago
1789.0	1789.5	1865.0	1945.0

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	925.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	June 14	June 13	Month ago	Year ago
Spot	119.06	118.41	—	136.58
Fut.	121.12	120.81	—	137.04

(Base: December 31 1974 = 100)

SUGAR

LONDON DAILY PRICE—Raw sugar $93.00 (£73.00), unchanged (unchange) a tonne for June-July-August delivery. White sugar $134.00, up $1.00.

The market rose initially but once again there was insufficient buying interest at the higher levels and prices fell back, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	93.2-93.8	93.2-93.4	96.0-92.8
Oct	94.2-94.6	94.8-95.0	95.8-93.1
Dec	99.2-100.0	99.8-100.6	100.2-99.8
Mar	110.8-111.2	111.4-111.6	112.2-108.8
May	116.0-115.4	115.8-116.0	116.0-114.0
Aug	120.8-121.6	120.8-120.8	—
Oct	124.8-126.8	126.-125.1	124.8

Sales: 1,401 (1,490) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £173.50 a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for June 14: Daily price 2.96; 15-day average 2.79.

SOYABEAN MEAL

With Chicago easier and sterling stronger against the dolar, prices fell on mixed trade and commission house selling.

	Yesterday close £ per tonne	+ or —	Business Done
June	115.0-128.0	—1.50	—
August	115.5-114.5	—3.88	117.0-115.
October	116.1-116.5	—1.20	116.0-115.0
Dec	118.8-128.5	—1.46	123.0
Feb	125.5-156 5	—0.56	—
Apr	126.5-127.5	—1.00	—
June	126.8-127.5	—0.75	—

Sales: 181 (235) lots of 20 tonnes.

RUBBER

opened slightly steadier, met persistent selling throughout the day and closed quiet and easier, reports Lewis and Peat. Closing prices (buyers) spot 68.00p (same), July 69.75p (70.00p), August 69.50p (70.00p). The Kuala Lumpur fob price for RSS No 1 was 204.5 (204.0) cents a kg and for SMR 20 was 176.0 (same).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 537, 538, 538-537; Oct 536, 538, 539-538; Dec 536, 538, 538; Jan 536, 538, 539-537; March 545, 547, 549-547; May 554, 555, 555; Aug 566, 568 568; Oct 566, 569, nil; Dec 566, 569, nil. Sales: 34.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 645.0, 650.0, 645.0-644.0; Oct 630.0, 634.0, 633.0-631.0; Dec 630.0, 633.0, 632.0-630.0; Mar 634 0, 637.0, 636 5-634.0; May 640.0, 649.0, nil; July 645.0, 655.0, nil; Oct 618.0, 646.0, nil; Dec 620.0, 655.0, nil. Sales: 47.

OIL

Mexico's price cut encouraged a weak start to the Brent market but values recovered later. More pessimistic trading in the U.S. held Nymex levels 12c down for July by 1 pm EST. The petroleum products market was quiet as a result of a German holiday. Prompt gas oil prices fell, led by the lack of buying interest and the weak Friday Nymex close. Interest in high sulphur fuel oil remained minimal but American demand pushed up low sulphur fuel oil prices—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	28.75 28.85	—
Arab Heavy	25.88-26.10	—
Dubai	25.40-25.50	—
Brent Blend	26.80-26.85	—0.025
W.T.I. (1pm est)	27.10-27.20	—0.10
Forcados (Nigeria)	26.00-26.15*	—
Urals (cif NWE)	25.25-25.40*	+0.025
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	260-262	—
Gas Oil	214-215	—3
Heavy fuel oil	126-129	+0.5

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
July	211.25	—1.75	211.75-10.50
Aug	208.75	—2.50	210.25-07.75
Sep	209.25	—3.00	211.50-08.75
Oct	211.50	—2.75	212.00-11.25
Nov	213.75	—4.75	214.00-13.75
Dec	216.50	—4.00	216.50-
Jan	216.50	—2.50	—

Turnover: 1,430 (798) lots of 100 tonnes.

POTATOES

The market again broke new low ground to trade briefly at £75.50, basis April, during early business but late profit-taking lifted the value. November and May failed to show any recovery both closing down on the day, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	57.60	58.60	58.00-57.50
Feb.	66.90	65.80	67.50-67.00
Apr.	76.50	76.40	76.50-75.60
May	81.50	82.00	81.50-81.00

PIGMEAT

Improving physical demand was reflected in steadier futures, but in light volume, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	103.20	103.10	103.60-103.50
Oct.	107.70	107.60	—
Nov.	108.10	107.80	108.00
Feb.	99.50	99.60	—
April	99.70	98.00	—
June.	98.80	98.90	—

Sales: 13 (145) lots of 50 carcases, 3,250 kg.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.52p per kg lw (+0.39). GB—Sheep 183.74p per kg est dcw (−6.57). GB—Pigs 82.50p per kg lw (+2.68).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 78.0 to 82.0; English hindquarters 82.0 to 98.0, forequarters 50.0 to 55.0; Ulster hindquarters 90.0 to 95.0. Veal: Dutch hinds and ends 139.0 to 143.0. Lamb: English small 90.0 to 96.0, medium 80.0 to 84.0, heavy 78.0 to 80.0; Imported: New Zealand PL 65.5 to 67.0, PX 65.0 to 66.0. Pork: English under 100 lb 60.5 to 58.0, 100-120 lb 52.5 to 56.0, 120-160 lb 45.0 to

COTTON

LIVERPOOL—Spot and shipment sales amounted to 151 tonnes. There was fair offtake with interest in American, Middle Eastern and West African supplies.

U.S. MARKETS

HEATING OIL moved lower on continuous rumours that Saudi Arabia is considering full-scale production because of the lack of effort of non-Opec members and some cheating on quotas by other Opec nations, reports Heinol Commodities. Precious metals were basically unchanged in featureless trade with selling linked to weak energy values offset by expectations of lower interest rates. Copper attracted light support from the decline in LME stocks. Aluminium weakened reflecting continuing concern over burdensome stocks. Sugar closed slightly lower reflecting slack physical interest. Cocia attracted scattered support in the nearbys from better physical inquiry. Coffee weakened on the lack of freeze threat. Cotton firmed on concern over the drawdown in certified stocks.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	44.80	—	—	45.10
July	44.95	45.20	44.85	45.25
August	45.30	—	—	45.60
Sept	45.65	45.90	45.50	45.95
Dec	46.65	46.60	46.50	47.00
Jan	47.00	—	—	47.35
March	47.70	—	—	48.05
May	48.40	—	—	48.75
July	49.10	—	—	49.45
Sept	49.80	—	—	50.15

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	60.60	60.75	60.75	60.50
July	60.80	61.15	60.55	60.70
August	61.25	—	—	61.15
Sept	61.70	62.10	61.40	61.60
Dec	62.90	63.05	62.55	62.65
Jan	63.05	—	—	62.85
March	63.50	63.50	63.35	63.30
May	63.90	63.90	63.75	63.70
July	64.35	64.60	64.20	64.10
Sept	64.80	65.00	64.65	64.55

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.96	3.04	2.93	2.98
Sept	3.06	3.15	2.99	3.08
Oct	3.16	3.20	3.09	3.20
Jan	3.48	3.55	3.50	3.50
March	3.91	3.94	3.83	3.93
May	4.09	4.11	4.01	4.12
July	4.31	4.33	4.23	4.33
Sept	4.39	4.39	4.39	4.48
Oct	4.61	4.58	4.52	4.63

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	318.9	320.3	318.2	319.1
July	319.8	—	—	320.6
August	321.8	323.2	320.8	322.0
Oct	325.3	326.5	324.0	325.5
Dec	329.1	330.6	328.0	329.3
Feb	333.1	333.0	333.0	333.3
April	337.1	—	—	337.4
June	341.6	—	—	341.9
August	346.3	—	—	346.7
Oct	351.1	—	—	351.5
Dec	355.9	—	—	356.4
Feb	361.1	—	—	361.7
April	366.4	—	—	367.1

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
July	145.20	145.90	145.10	146.83
Sept	147.21	147.75	146.90	148.59
Dec	147.75	148.25	147.50	148.82
March	147.40	147.50	147.00	148.50
May	146.53	—	—	147.88
July	145.50	—	—	146.75

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
July	27.24	27.25	27.04	27.29
August	26.20	26.23	26.02	26.29
Sept	25.59	25.60	25.42	25.71
Oct	25.27	25.30	25.13	25.49
Nov	25.00	25.08	24.90	25.28
Dec	24.66	24.82	24.63	25.08
Jan	24.40	24.65	24.40	24.93
Feb	24.35	24.55	24.35	24.77
March	24.25	24.30	24.25	24.66

WHEAT 5,000 bu min: cents/60 lb-bushel

	Close	High	Low	Prev
July	326.6	327.0	325.0	326.6
Sept	328.4	329.0	327.4	329.0
Dec	335.2	336.0	334.4	336.0
March	334.6	335.6	334.2	335.6
May	324.4	325.4	324.4	326.0
July	306.0	308.0	306.0	303.0

SOYABEAN OIL 60,000 lb; cents/lb

	Close	High	Low	Prev
July	40.72	30.30	30.35	30.71
August	29.47	29.50	29.15	29.47
Sept	28.38	28.45	28.10	28.45
Oct	27.36	27.45	27.15	27.45
Dec	26.42	26.52	26.20	26.62
Jan	25.87	26.15	25.75	26.10
March	25.40	25.65	25.25	25.70
May	24.98	25.22	24.95	25.52
July	24.67	34.70	24.65	24.95
August	24.65	24.70	24.80	24.75

SOYABEAN MEAL 100 tons; $/ton

	Close	High	Low	Prev
July	121.7	122.2	121.0	123.5
August	124.4	124.9	123.8	126.3
Sept	126.9	127.5	126.3	128.9
Oct	129.3	130.0	128.6	131.5
Dec	134.3	135.0	133.8	136.3
Jan	136.8	137.5	136.5	138.8
March	141.5	143.0	141.5	143.5
May	146.0	148.0	146.0	148.0
July	151.6	151.6	151.6	153.0

HEATING OIL 42,000 U.S. Gallons centsU/.S. gallons

	Close	High	Low	Prev
July	67.75	67.80	67.00	67.90
Aug	67.20	67.25	66.35	67.33
Sep	67.45	67.60	66.90	68.00
Oct	68.25	68.30	67.65	68.60
Nov	69.00	68.95	68.50	69.35
Dec	69.70	69.60	69.15	70.25
Jan	70.00	70.00	70.00	70.95

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	High	Low	Prev
July	141.75	143.50	141.70	143.80
Sept	137.75	140.40	137.70	140.90
Nov	136.35	138.50	136.20	139.10
Jan	136.00	137.75	135.60	138.10
Mar	136.45	136.50	136.00	138.70
May	136.35	—	—	138.10
July	136.35	—	—	138.10
Sep	136.35	—	—	138.10
Nov	136.35	—	—	138.10

PLATINUM 50 troy oz; $/troy oz

	Close	High	Low	Prev
June	267.9	—	—	26.97
July	268.8	271.0	268.0	270.6
Aug	271.1	276.0	276.0	—
Oct	273.2	275.5	272.5	275.3
Jan	278.1	278.5	278.0	280.3
Apr	283.1	284.5	283.5	285.3
July	290.0	—	—	—

CHICAGO

PORK BELLIES 38,000 lb: Cents/lb

	Close	High	Low	Prev
July	68.45	69.00	68.20	68.10
August	67.77	68.25	67.60	67.35
Feb	74.90	74.97	74.30	74.45
March	74.56	74.60	74.40	74.30
May	75.27	75.27	74.80	75.12
July	75.20	75.20	74.95	75.00

SOYABEANS 5,000 bu min: cents/60 lb-bushel

	Close	High	Low	Prev
July	580.6	581.0	575.4	583.4
August	572.0	572.4	568.4	575.2
Sept	562.4	564.0	559.4	567.6
Nov	563.6	564.6	560.0	569.4
Jan	573.0	573.6	569.0	579.4
March	582.4	583.4	580.0	589.0
May	590.0	591.0	588.0	597.0
July	596.4	596.4	593.0	602.4

MAIZE 5,000 bu min; cents/56 lb-bushel

	Close	High	Low	Prev
July	275.6	276.4	276.2	277.2
Sept	257.0	258.4	256.6	260.2
Dec	251.4	252.4	251.2	254.4
March	260.0	261.6	259.6	263.4
May	263.0	265.4	262.4	266.8
July	262.4	265.0	262.4	266.4
Sept	248.6	252.0	248.6	251.4

SILVER 5,000 troy oz; cents/troy oz

	Close	High	Low	Prev
June	623.8	—	—	625.1
July	625.5	634.0	625.0	627.0
August	628.9	—	—	630.5
Sept	633.1	641.0	633.0	634.8
Dec	644.6	653.5	644.0	646.5
Jan	648.8	—	—	650.7
March	656.7	660.5	659.0	658.8
May	665.3	—	—	667.5
July	674.5	677.5	676.0	676.8
Sept	684.3	—	—	683.7

LIVE HOGS 30,000 lb; Cents/lb

	Close	High	Low	Prev
June	48.92	49.10	48.50	48.25
July	51.02	51.35	50.82	50.60
August	50.62	50.90	50.50	50.35
Oct	47.35	47.50	47.20	47.10
Dec	48.92	48.98	48.70	48.50
Feb	50.37	50.47	50.15	50.12
April	46.40	46.80	46.40	46.65
June	48.67	48.85	48.65	48.90
July	49.60	49.85	49.52	49.80

LIVE CATTLE 40,000 lb; Cents/lb

	Close	High	Low	Prev
June	59.47	60.30	59.20	60.12
August	61.72	62.57	61.70	62.27
Oct	62.32	62.87	62.22	62.72
Dec	63.45	63.90	63.45	63.82
Feb	64.10	64.36	64.05	64.45
April	65.20	65.40	65.10	65.45
June	65.55	65.55	65.55	65.85

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	2028	2068	2009	20?1
Sept	2003	2023	1986	2003
Dec	1972	1995	1970	1985
March	1978	—	1976	1998
May	1986	—	—	2013
July	2002	—	—	2030

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	63.43	63.53	62.66	62.97
Oct	61.69	61.69	61.03	61.05
Dec	61.88	61.90	61.40	61.52
March	62.85	62.85	62.48	62.83
May	63.08	63.05	62.90	62.89
July	63.25	63.30	62.75	62.96
Oct	59.95	59.95	58.94	59.62
Dec	59.10	59.10	58.85	58.60

SPOT PRICES—Chicago loose lard 18.00 (same) cents per pound. New York tin 561.0-65.0 (562.0-66.0) cents per pound. Handy and Harman silver bullion 628.0 (623.0) cents per troy ounce.

OTHER MARKETS

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter June 140, July 143, Aug 145, Sept 146, Oct 149 sellers. U.S. two northern spring 14 per cent protein spot 177, July 168, Aug 160, Sept 160, Oct 164, Nov 167, Dec 169 sellers. U.S. northern spring 15 per cent protein July 178, Aug 171, Sept 172, Oct 177, Nov 177, Dec 180 sellers. U.S. three hard amber durum June 174, July 173, Aug 169, Sept 162, Oct 167, Nov 170 sellers. Canadian one western amber durum June 178, June/July 180, July 179, Aug 178, Sept 175 sellers.

MAIZE—(U.S. $ per tonne): U.S. three yellow afloat 128 50, June 128, July 128.75, Aug 126.50, Sept 124.50, Oct/Dec 122.50 sellers. Argentine Plate afloat 133-131.50, June 133.50, July 134 sellers.

JUTE

JUTE—June/July shipment C and F Dundee BTC $730, BWC $725, BTD $705, $705, BWD $700: C and F Antwerp BTC $730, BWC $725, BTD $705, BWD $700: C and F Dundee ex-India June shipment 40 in 10 oz $24.49, 40 in 5 oz $18.83; B twills $60.28.

Thai maize crop

BANGKOK — Thailand will produce at least 4.5m tonnes of maize in the 1985-86 (July-June) season, compared with the record 4.6m tonnes the previous year, the Thai Maize and Produce Traders' Association forecast.

It said its first crop survey, made jointly this month with the Agriculture Ministry and the Board of Trade, put the estimated output slightly below actual production last year but ahead of the 4.2m tonnes projected for 1984-85 in the comparable survey a year ago.

It said 2.04m hectares have been planted to maize this year, up from 1.97m hectares a year ago.

Reuter

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts after firm start

The dollar drifted down from a firm opening on the foreign exchanges yesterday. Early commercial demand in a very thin market, with German financial centres closed for a public holiday, took the U.S. currency above DM 3.07, but it failed to maintain this level. News that U.S. industrial capacity use fell to 80.3 per cent in May, from 80.7 per cent in April, tended to confirm suspicions that economic growth in the second quarter has not shown the hoped-for recovery, from a disappointing first three months of the year. Further evidence will be looked for when the flash estimate of second-quarter gross national product is published on Thursday.

The Federal Reserve failed to intervene again when Federal funds traded below the present discount rate level of 7½ per cent in New York. This increased speculation that the central bank will be encouraged by the slowdown in economic growth, to cut its discount rate again by the end of the week.

Expectation of lower interest rates was increased by a reduction in a small bank's prime lending rate yesterday, and this coupled with fears about the economy left the dollar near its lowest levels of the day at the London close.

On the day it rose to DM 3.0615 from DM 3.0565; and FFr 9.3350 from FFr 9.31, but fell to SwFr 2.5745 from SwFr 2.5775 and Y248.65 from Y248.70. On Bank of England figures the dollar's index rose to 145.2 from 145.0.

STERLING — Trading range against the dollar in 1985 is 1.2945 to 1.0525. May average 1.2517. Exchange rate index fell 0.1 to 79.7. It opened at 79.7 and stood at 79.6 for most of the day.

Sterling closed near its best level of the day against the dollar, and only slightly below Friday's finish, while gaining groud in terms of most other major currencies. Rumours about oil price cuts failed to depress the pound, which remained supported by the high level of London interest rates. Sterling lost 15 points to $1.2790-1.2800 and also fell to Y318.25 from Y318.50, but rose to DM 3.9150 from DM 3.9125; FFr 11.9575 from FFr 11.9250; and SwFr 3.2925 from SwFr 3.29.

JAPANESE YEN — Trading range against the dollar in 1985 is 263.15 to 247.10. May average 251.53. Exchange rate index 155.9 against 156.3 six months ago.

The yen improved slightly against the dollar in Tokyo, with the U.S. currency closing at Y248.90 compared with Y249.35 on Friday, but little changed from the previous New York finish. Speculation about a cut in the Federal Reserve's discount rate put downward pressure on the dollar, but this was offset by commercial demand, including a single order from a Japanese oil importer. Securities houses had also been steady dollar buyers during the morning. Sterling was also in demand initially, on buying by Japanese investors making payments for British Telecom shares, but fell later after comments by the Saudi Arabian oil minister about a possible oil price fall of $8 a barrel if members of Opec continue discounting. The D-mark rose slightly to Y81.15 from Y80.69.

STERLING INDEX

	June 17	Previous
8.30 am	79.7	79.5
9.00 am	79.6	79.4
10.00 am	79.7	79.5
11.00 am	79.6	79.6
Noon	79.6	80.0
1.00 pm	79.6	79.7
2.00 pm	79.6	79.8
3.00 pm	79.6	79.7
4.00 pm	79.7	79.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2385	+0.75	+0.76	±1.5471
Danish krone	8.14104	8.05191	−1.09	−1.08	±1.6419
German D-mark	2.24184	2.24363	+0.08	+0.09	±1.1475
French franc	6.87456	6.84284	−0.46	−0.45	±1.3889
Dutch guilder	2.52595	2.52935	+0.13	+0.14	±1.5171
Irish punt	0.72569	0.716962	−1.20	−1.19	±1.6873
Italian lira	1403.49	1429.66	+1.86	+1.86	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 17	Prev. close
£ Spot	$1.2768-1.2778	$1.2885-1.2815
1 month	0.53-0.50 pm	0.51-0.48 pm
3 months	1.50-1.46 pm	1.43-1.40 pm
12 months	4.25-4.10 pm	3.97-3.90 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2710-1.2815	1.2790-1.2800	0.53-0.50c pm	4.83	1.52-1.47 pm	4.67
Canada	1.7412-1.7549	1.7529-1.7549	0.41-0.35c pm	2.60	1.23-1.15 pm	2.71
Nethlnd.	4.4018-4.42	4.41-4.42	2½-1⅞c pm	5.44	6⅜-5⅝ pm	5.38
Belgium	78.74-79.15	79.05-79.15	28-22c pm	3.79	74-66 pm	3.54
Denmark	14.02½-14.07	14.05-14.06	3⅞-2ore pm	2.19	8¼-7⅛ pm	2.33
Ireland	1.2470-1.2515	1.2500-1.2510	0.11-0.01p pm	0.58	0.27-0.09 pm	0.58
W. Ger.	3.90½-3.92	3.91-3.92	2⅛-2¼pf pm	6.90	6⅝-6⅛ pm	6.84
Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2710-1.2815	1.2790-1.2800	0.53-0.50c pm	[illegible]	[illegible]	[illegible]
Ireland†	1.0188-1.0235	1.0227-1.0234	0.39-0.34c pm	[illegible]	[illegible]	[illegible]
Canada	1.3673-1.3710	1.3700-1.3710	0.23-0.25c pm	[illegible]	[illegible]	[illegible]
Nethlnd.	3.4490-3.4610	3.4505-3.4515	0.21-0.18c pm	[illegible]	[illegible]	[illegible]
Belgium	61.75-61.90	61.80-61.90	4⅞-5½c dis	[illegible]	[illegible]	[illegible]
Denmark	10.98-11.02	10.98-10.98½	1½-2¼ore dis	[illegible]	[illegible]	[illegible]
W. Ger.	3.0580-3.0720	3.0610-3.0620	0.56-0.51pf pm	[illegible]	[illegible]	[illegible]
Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.10-62.20.

OTHER CURRENCIES

June 17	£	$		Note Rates
Argentina Peso … Kuwait Dinar (KD)	[illegible]	[illegible]	Austria … Netherlands	[illegible]
Kuwait Dinar (KD)	0.3869-0.3875	0.30326-0.30340	Netherlands	4.38½-4.48½
Luxembourg Fr	79.05-79.15	61.80-61.90	Norway	11.19-11.30
Malaysia Dollar	3.1450-3.1500	2.4660-2.4680	Portugal	215-235
New Zealand Dlr.	2.7785-2.7865	2.1820-2.1865	Spain	216-225¼
Saudi Arab Riyal	4.6575-4.6615	3.6500-3.6505	Sweden	11.25-11.35
Singapore Dollar	2.8380-2.8430	2.2250-2.2270	Switzerland	3.27-3.30
Sth African Rand	2.5165-2.5265	1.9765-1.9800	United States	1.26¼-1.28¼
U.A.E. Dirham	4.6855-4.6905	3.6720-3.6730	Yugoslavia	340-360

* Selling rate.

CURRENCY MOVEMENTS

June 17	Bank of England Index	Morgan Guaranty Change %
Sterling … Deutsche mark	[illegible]	[illegible]
Deutsche mark	131.8	+6.7
Swiss franc	139.6	+7.6
Guilder	118.4	+3.1
French franc	65.0	−15.4
Lira	46.4	−17.0
Yen	155.9	+12.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling … Guilder	[illegible]	[illegible]	[illegible]
French Fr.	9½	9.32253	6.84284
Lira	15½	1947.34	1429.66
Yen	5	247.940	182.110
Norway Kr.	8	8.79917	6.46019
Span'h Pta.	—	174.937	128.516
Swedish K.	11.5	8.83950	6.48946
Swiss Fr.	4	2.56804	1.88717
Greek Dr'ch	20½	135.849	99.4252
Irish Punt	13¾	N/A	0.716962

* C$/SDR rate for June 14: 1.36473.

EXCHANGE CROSS RATES

June 14	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.280	3.915	318.3	11.96	3.293	4.415	2495.	1.754	79.10
U.S. Dollar	0.782	1.	3.062	248.7	9.335	2.575	3.451	1951.	1.371	61.85
Deutschemark	0.256	0.327	1.	81.29	3.054	0.841	1.128	637.5	0.448	20.20
Japanese Yen 1,000	3.142	4.020	12.30	1000.	37.57	10.35	13.87	7840.	5.511	248.5
French Franc 10	0.836	1.070	3.274	266.2	10.	2.754	3.692	2087.	1.467	66.15
Swiss Franc	0.304	0.389	1.189	96.66	3.632	1.	1.341	757.8	0.533	24.02
Dutch Guilder	0.227	0.290	0.887	72.08	2.708	0.746	1.	565.1	0.397	17.92
Italian Lira 1000	0.401	0.513	1.569	127.6	4.793	1.320	1.770	1000.	0.703	31.70
Canadian Dollar	0.570	0.730	2.232	181.5	6.818	1.877	2.517	1423.	1.	45.10
Belgian Franc 100	1.264	1.618	4.949	402.3	15.12	4.162	5.582	3154.	2.217	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅜-12½	7¼-7⅜	—	—	—	—	—	—	8⅜-8⅝	8½-8¾	—	9¾-10¼
7 days' notice	12½-12⅝	7⅜-7½	9$\frac{3}{16}$-9$\frac{7}{16}$	6⅝-6¾	—	—	9⅞-10	12½-13½	8⅝-8⅞	8½-8¾	5$\frac{13}{16}$-6$\frac{1}{16}$	9¾-10¼
Month	12$\frac{9}{16}$-12$\frac{11}{16}$	7$\frac{7}{16}$-7$\frac{9}{16}$	9$\frac{5}{16}$-9$\frac{9}{16}$	6$\frac{9}{16}$-6$\frac{11}{16}$	5$\frac{3}{16}$-5$\frac{5}{16}$	5$\frac{7}{16}$-5$\frac{9}{16}$	9⅞-10	12⅝-13⅛	8¾-9	8¾-9	6-6⅛	10-10½
Three months	12⅝-12$\frac{3}{4}$	7$\frac{7}{16}$-7$\frac{9}{16}$	9$\frac{7}{16}$-9$\frac{9}{16}$	6½-6⅝	5$\frac{5}{16}$-5$\frac{7}{16}$	5$\frac{7}{16}$-5$\frac{9}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	12¾-13⅛	8¾-9	8¾-9	6-6⅛	9⅝-10⅛
Six months	12$\frac{7}{16}$-12$\frac{9}{16}$	7$\frac{11}{16}$-7$\frac{13}{16}$	9$\frac{7}{16}$-9$\frac{9}{16}$	6½-6⅝	5¼-5⅜	5½-5⅝	10¼-10⅝	12½-13⅛	8⅞-9⅛	8⅞-9⅛	6$\frac{1}{16}$-6$\frac{3}{16}$	9½-10
One year	11$\frac{15}{16}$-12$\frac{1}{16}$	8$\frac{1}{16}$-8$\frac{3}{16}$	9¼-9½	6$\frac{7}{16}$-6$\frac{9}{16}$	5¼-5⅜	5⅝-5¾	10$\frac{9}{16}$-10$\frac{11}{16}$	13-13⅝	9⅛-9⅜	8⅞-9⅛	6⅛-6¼	9⅜-9⅞

Asian $ (closing rates in Singapore): Short-term 7½-7⅝ per cent; seven days 7½-7⅝ per cent; one month 7½-7⅝ per cent; three months 7½-7⅝ per cent; six months 7¾-7⅞ per cent; one year 8½-8¾ per cent. Long-term Eurodollars; two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK rates show little change

Interest rates showed very little change in London yesterday in rather quiet and featureless trading. Sterling failed to provide any incentive, showing only small movements against major currencies. At the same time U.S. rates were steady ahead of Thursday's second quarter U.S. flash estimate on GNP. Three-month interbank money finished at 12$\frac{7}{16}$ per cent unchanged from Friday while three-month eligible bank bills were bid at 11$\frac{15}{16}$ per cent also unchanged from Friday. Overnight interbank money traded between 12¼ per cent and 18 per cent.

UK clearing banks base lending rate 12½ per cent since June 12

The Bank of England forecast a shortage of around £1,150m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,133m and Exchequer transactions a further £300m. These were partly offset by a fall in the note of £260m. To help alleviate the shortage the Bank offered an early round of assistance which totalled £141m and comprised purchases of £9m of eligible bank bills in band 1 (up to 14 days) at 12⅜ per cent, £41m in band 2 (15-33 days) at 12¼ per cent, £21m in band 3 (34-63 days) at 12⅛ per cent and £44m in band 4 (64-91 days) as well as £26m of local authority bills all at 12 per cent.

Further morning help came to £59m and comprised purchases of £15m of eligible bank bills in band 2 at 12¼ per cent and £44m in band 4 at 12 per cent. The forecast was later revised to a shortage of around £1,050m before taking into account the earlier help and the Bank gave assistance in the afternoon of £685m. This comprised purchases of £118m of eligible bank bills in band 1 at 12⅜ per cent, £314m in band 2 at 12¼ per cent and £39m in band 3 at 12⅛ per cent. It also arranged sale and repurchase agreements on £214m of bills at 12¼ per cent, unwinding on July 11. Late help came to £80m, making a total of £965m.

MONEY RATES

June 17	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10$\frac{1}{16}$	1⅛-1⅝	6¼-6⅞	6.03125	14⅞-15¼	9.35	12⅝-12⅞
One month	5.50-5.60	10$\frac{1}{16}$-10$\frac{3}{16}$	5$\frac{1}{16}$-5$\frac{3}{16}$	6¾-6⅞	6.21875	14⅝-16	8¾-9	12⅝-12⅞
Two months	5.55-5.70	10$\frac{1}{16}$-10$\frac{3}{16}$	—	—	—	—	—	12⅛-12¾
Three months	5.55-5.70	10$\frac{1}{16}$-10$\frac{3}{16}$	5$\frac{1}{16}$-5$\frac{3}{16}$	6⅝-6$\frac{11}{16}$	6.28125	15-15⅛	8¾-9	12⅝-12⅝
Six months	5.6-5.75	10$\frac{1}{16}$-10$\frac{3}{16}$	—	6$\frac{9}{16}$-6$\frac{11}{16}$	—	—	8⅞-9⅛	12⅝-12⅝
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 17 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12¼-18	12¼-12½	6-12⅝	12-13	—	—	—	—	—
2 days notice	—	—	12⅜-12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅜-12¾	12½	12½-12¾	12⅜	—	—	—	—	—
One month	12⅝-12½	12⅝-12$\frac{11}{16}$	12$\frac{9}{16}$	12¾	12⅝	12¼	12$\frac{3}{16}$	[illegible]	[illegible]	[illegible]
Two months	12½-12$\frac{7}{16}$	12$\frac{7}{16}$-12$\frac{9}{16}$	12½	12¾	12¼	12⅛	12	[illegible]	[illegible]	[illegible]
Three months	12$\frac{3}{16}$-12$\frac{5}{16}$	12⅝-12½	12⅝	12⅝	12⅛	11$\frac{15}{16}$	11$\frac{13}{16}$	[illegible]	[illegible]	[illegible]
Six months	12$\frac{1}{16}$-12$\frac{3}{16}$	12$\frac{1}{4}$-12$\frac{3}{8}$	12⅛	—	—	—	—	[illegible]	[illegible]	[illegible]
Nine months	11$\frac{15}{16}$-11$\frac{13}{16}$	12-12⅛	—	—	—	—	—	—	—	—
One year	11$\frac{13}{16}$-11$\frac{11}{16}$	11⅞-12	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13⅞-12⅞	—	12⅝	7.35-7.45	7$\frac{11}{16}$-7$\frac{13}{16}$	9$\frac{5}{16}$-9$\frac{7}{16}$
Two months	13-12¾	—	12⅝	7.35-7.45	7$\frac{11}{16}$-7$\frac{13}{16}$	9$\frac{5}{16}$-9$\frac{7}{16}$
Three months	12¾-12½	—	12½	7.4-7.5	7$\frac{11}{16}$-7$\frac{13}{16}$	9$\frac{5}{16}$-9$\frac{7}{16}$
Six months	12⅝-12⅜	—	12⅝	7.5-7.6	7⅞-8⅛	9$\frac{5}{16}$-9$\frac{7}{16}$
Nine months	12⅜-12⅛	—	—	7.8-7.9	—	—
One year	12¼-12	—	—	8.0-8.1	8$\frac{1}{16}$-8$\frac{3}{16}$	9$\frac{5}{16}$-9$\frac{7}{16}$
Two years	—	11¾	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11½	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.8224 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12½ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from June 11. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 17)

Three months U.S. dollars	
bid 7 1/2	offer 7 5/8
Six months U.S. dollars	
bid 7 3/4	offer 7 7/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate; Broker loan rate; Fed funds; Fed funds at intervention; Treasury Bills: One month, Two month, Three month, Six month, One year; Treasury Bonds: Two year, Three year, Four year, Five year, Seven year, 10 year, 30 year — [illegible]

FINANCIAL FUTURES

Eurodollars firm

Euro-dollar prices finished firmer in the London International Financial Futures Exchange yesterday on expectations of lower interest rates. In addition suggestions that oil prices could be reduced significantly aided market sentiment. Values were marked down at the start although not as much as expected, in view of disappointment in Chicago late Friday night on the Fed's failure to cut the discount rate. However sentiment improved towards mid morning with the firmer trend accelerating after the start of U.S. trading.

A lower than expected Federal funds rate improved sentiment with an opening rate of 7⅜ per cent comparing with an expected 7½ per cent. Later in the day it touched a low of 7⅛ per cent. There was also a move by a small U.S. bank, cutting its prime rate to 9¾ per cent from 10 per cent with major banks expected to follow. A cut in the discount rate seems now to be accounted for with a fall in capacity utilisation adding to the market's bullish sentiment.

Further economic statistics are expected today and tomorrow but the key factor remains Thursday's release of U.S. second GNP figures as measured by the flash estimate. Late profit taking brought values back from the day's highs.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	92.30	92.40	92.21	92.24
Dec	91.82	91.91	91.72	91.74
March	91.39	91.44	91.27	91.30
June	91.02	91.03	90.92	90.92
Sept	90.70	90.60	90.60	90.59

Est volume 5,618 (8,275)
Previous day's open int 16,879 (16,836)

THREE-MONTH STERLING DEPOSIT £500,000 points of 100% — [illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.2635	1.2635	1.2580	1.2670
Dec	1.2507	—	—	1.2545
March	1.2420	—	—	1.2485

Est volume 54 (118)
Previous day's open int 4,175 (4,187)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3278	0.3281	0.3277	0.3286
Dec	0.3288	—	—	0.3306

Est volume 23 (44)
Previous day's open int 279 (243)

SWISS FRANCS SwFr 125,000 $ per SwFr — [illegible]

JAPANESE YEN Y12.5m $ per Y100 — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	79-17	79-25	79-15	79-04
Sept	78-14	79-00	78-06	78-02
Dec	77-14	—	—	77-02

Est volume 3,258 (2,511)
Previous day's open int 2,496 (2,417)

FINANCIAL TIMES BOOKLETS

The following booklets are available from the Financial Times:

How to calculate Capital Gains Tax	£4.50
How to compete on equal terms	£3.75
Venture Capital	£3.50
FT European Top 500	£10.00

(1985 edition to be published in September)

To order your copy, please write to:
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£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 17, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.1840
Algeria	Dinar	6.49
Andorra	French Franc	11.9575
	Spanish Peseta	224.50
Angola	Kwanza	38.1490
Antigua	E. Caribbean $	3.44
Argentina	New Peso	N/A
Australia	Australian $	1.9175
Austria	Schilling	27.55
Azores	Portuguese Escudo	224.50
Bahamas … Greece	[illegible]	[illegible]
Greenland	Danish Kroner	14.0550
Grenada	E. Caribbean $	3.44
Guadeloupe	Local Franc	11.9575
Guam	U.S. $	1.2795
Guatemala	Quetzal	1.2795
Guinea	Syli	31.54
Guinea-Bissau	Peso	187.68
Guyana	Guyanese $	5.35
Haiti	Gourde	6.37
Honduras	Lempira	2.56
Hong Kong	H.K. $	9.9035
Hungary … Paraguay	[illegible]	[illegible]
Peru	Sol	exc(A)13,632.9
Philippines	Philippine Peso	22.3850
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.7825
Poland	Zloty	198.27
Portugal	Portuguese Escudo	224.50
Puerto Rico	U.S. $	1.2795
Qatar	Qatari Ryal	4.6370
Reunion Island … Zimbabwe	[illegible]	[illegible]

Footnotes to the World Value of the Pound table — [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100⅞	99⅜	Treas 11¼pc 1985	99⅞xd	.....	11.51	13.06
99⅛	97¼	Treas 8¾pcCnv '85	99⅛	.....	8.83	12.59
101	99	Exch. 12¾pc 1985	100	+	12.25	12.02
101	99	Exch. 11¾pc '86	99	+	11.76	11.73
99½	97	Treas. 10pcCnv 1986	98¼	+	10.13	11.56
94⅞	92⅛	Treas 3pc 1986	94⅛	.....	3.18	9.52
100	97½	Exch. 10½pc Cv '86	99	.....	11.59	11.41
101¾	99¼	Treas 12pc 1986	100	+	11.93	11.37
97	94⅛	Treas 8¾pc 1984-86‡‡	97¼xd	.....	8.74	11.36
105	102	Exch. 14pc 1986	103	+	13.59	11.49
93⅛	87⅞	Exch. 2½pc 1986	92⅞	−⅛	2.69	7.86
104	101¼	Exch. 13¼pc 1987	102xd	−	12.90	11.38
99½	96⅝	Treas 10¼pcCv '87	98¼	+	10.43	11.40
91	85½	Exch 2½pc 1987	90⅛	−	2.75	8.48
99	96	Exch. 10½pc 1987	98	.....	10.65	11.36
93¼	89	Funding 6½pc '85-87‡‡	93¼	.....	6.97	10.55
98½	95½	Treas. 10pc 1987	97⅝	.....	10.24	11.37
90⅞	84¼	Treas 3pc 1987	90⅛xd	−⅛	3.33	8.30
102	99⅛	Treas. 12pc 1987	101	.....	11.86	11.36
93⅜	90⅛	Treas 7¾pc 1985-88‡‡	93	.....	8.31	10.74
98⅞	95⅛	Exch 10½pc '88	98	+	10.71	11.28
96	93¼	Treas 9¾pc Cv '88	96⅛xd	+	10.14	11.31
85	80	Transport 3pc '78-88	85⅝xd	−⅛	3.50	8.47
95⅛	91½	Treas. 9½pc '88	94	+	10.02	11.38
101¼	97½	Treas 11½pc 1989	100	−	11.45	11.33
[illegible]	[illegible]	Treas 9½pc Cnv '89	94⅛	.....	10.07	11.33

AMERICANS—Cont.

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING—Continued

HOTELS—Continued

INDUSTRIALS (Miscel.)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£97	£81	Matheson 7¾%	£95		Q7¾%	2.3	f8.5	—
35	26	Mansorm 1p	30		—	—	—	—
477	375	Metal Box £1	460xd	+11	17.25	2.8	5.4	6.7
170	136	Metal Closures	143	+5	6.7	2.0	6.7	8.9
17	9	Metal Sciences 2½p	11		—	—	—	—
104	73	Midland Marts	104		4.0	1.8	5.5	13.2
83½	68	Mitchell Cotts	70		4.0	1.5	8.2	10.0
230	182	Morgan Crucible	207		8.0	1.6	5.5	14.4
32	22	Morris (W) F A 20p	32	+2	0.5	♦	2.2	♦
110	91	Moss (Robt.) 10p	107	−1	3.0	2.5	4.0	11.8
81	68	Myson Grp 10p	73½	+½	2.5	3.4	4.9	14.0
328	214	NMW Computers	275	+3	4.8	2.7	2.5	21.1
43	30	Nash Inds	30		2.5	1.5	11.9	6.9
48	24	Neil & Spencer 10p	26		♦	—	—	7.8
44	14½	Newman Inds 10p	39	−1	—	—	—	(18.5)
44	18½	Do. 10pc Cm.Cnv.Pf	39		10%	—	3.7	—
55	43	Nolton	53	+3	1.1	4.5	3.0	8.9
183	146	Norcros	168		8.6	♦	7.6	♦
67	50	Nu-Swift 5p	58		3.0	1.6	8.6	9.6
98	68	Oakwood Grp	98		4.5	1.4	6.6	(14.4)
226	150	Office & Elect	220	+3	7.5	2.4	4.9	12.1
108	80	Oldacre 20p	80		4.0	2.6	7.1	7.1
58	37	Optometrics $0.01	48	+3	0.02c	—	3.3	51.0
480	312½	Oriflame £1	458		15.6	1.3	7.4	14.0
18	15	Ovenstone 12½c	17		04.5c	♦	‡	♦
£178	£158	Ozalid 9pc Cnv 87-92	£174		Q9%	—	5.3	—
185	105	PCT Grp 10p	140	−10	4.8	♦	4.8	♦
£14	£10¼	PLM 'B' Sk 25	£11		Q21.6%	♦	4.8	♦
193	164	PSM Intl	164		5.25	2.5	4.6	11.2
60	50	Pacific Sales 10p	55		2.4	2.2	6.2	(8.3)
204	165	Parker Knoll 'A'	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

LEISURE—Continued

1985 High	Low	Stock
232	198	Juliana's Hldgs 2p
268	217	LWT
65	55	Leisuretime Int 10p
162	146	Mogul, Ag. M. 10p
183	156	Media Tech Int 20p
200	124	Medminster 10p
280	175	Miss World 10p
127½	86	Nationwide Leisure
39	15	Nimslo Int 20c
24½	19½	Owners Abroad
53	38	Photax (Lon.)
24½	21½	P'dilly Radio NV 5p
90	30	Pineapple Dnc St 10p
465	366	Pleasurama 5p
119	109	Do. 7pcCvCnRedPf
96	77½	Pres Entertain 50p
65	28	Radio City 'A' NV
55	42	Radio Clyde N/V
63	37	Riley Leisure 10p
195	143	Saga Hols. 20p
£11¼	540	Samuelson Grp £1
42	25	Sangers Photo 10p
202	138	Scanro 50p
156	128	Scott. TV 'A' 10p
508	319	SeaCo Inc $0.125
15	8	SelecTV 10p
140	25	Spectrum 5p
32	23	TSW 5p
142	108	TVS N/Vtg 10p
295	132	Television Svcs 50p

LONDON STOCK EXCHANGE

MARKET REPORT

New trading account opens on brighter note and equity index rallies 9.2 to 988.3

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24
June 17	June 27	June 28	July 8

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equities opened the new trading Account with leading shares extending the recovery which began in Friday's late trade. The more composed market scene owed much to a technical correction of the previous week's sudden downturn. Although buyers ventured in for selected stocks, turnover generally was light and restricted by the vast sums of cash tied up in new issues, notably Abbey Life. and company cash calls. At the close, the *FT Ordinary* share index had regained 9.2 of last week's fall of 22.5 at 988.3.

Investors were heartened by news of a Prime rate reduction to single figures—Southwest Bank of St Louis lowered its rate from 10 to 9½ per cent. *Most* tended to overlook Wall Street's inability yesterday to maintain Friday's better tone. Sheik Yamani's warning that oil prices could fall sharply if Opec does not put its house in order and end *persistent discounting made* scant impression on London markets

Activity centred mainly on situation issues and stocks recommended in the weekend press columns. News items also *brought many features with* **Nottingham Manufacturing** and **Vantona Viyella** responding sharply to the announcement of an agreed merger. **Boots** attracted strong support as talk of a U.S. consortium offer replaced recent *speculation of* a possible bid from Hanson Trust.

Conventional Gilt-edged securities edged higher but index-linked gave ground on consideration of the authorities latest funding in the area. Last month's increase in the rate of UK inflation gave the market no support *and following a stream of small* sales quotations slipped as much as ½. Treasury 2½ per cent 2013 gave up that much at 87½. Longer-dated Gilts moved closer to current tap levels but the authorities were not bid for stock and prices subsequently tended to hang fire.

Composites firm

Composites returned to prominence, responding to renewed support in the wake of the Goldman Sachs' investment seminar *on the Insurance industry held* at the Savoy Hotel last week. **Royals** led the way with a gain of 18 at 683p, while **General Acident** appreciated the same amount to 460p. Elsewhere, **Lloyds Broker Minet**, at 189p, retrieved 5 of the recent sharp fall as the board disclaimed liability *over the £130m losses* incurred by its Richard Beckett Underwriting Agency subsidiary.

The two newcomers to the Unlisted Securities Market both established small premiums. **Cranbrook Electronic Holdings** closed at 75½p compared with the *placing price of 70p, while* **Prontaprint** ended at 141p *against the placing price of 138p.*

Arthur Bell advanced 10 more *to 273p*—around 43 above the unwelcome share-exchange bid from **Guinness**; dealers reported that turnover was substantially reduced from the levels witnessed towards the end of *last* week. Elsewhere in the drinks *sector, attention* centred on **Allied-Lyons** which spurted 11 *to 208p* on consideration of the optimistic tenor of the chairman's annual statement.

Leading Buildings made a much brighter showing. **Redland**, at 278p, *recouped 6 of Friday's* fall of 10 following a reappraisal of the annual results, while **RMC** picked up the same amount at 366p and **Blue Circle** improved 7 to 527p. The chirman's confident statement at the annual *meeting helped George Wimpey* harden a penny to 116p. **Taylor Woodrow** were quoted ex rights at 400p; the new nil paid shares opened at 17p premium and quickly moved up to 30p premium prior to closing at 28p *premium. Elsewhere,* **Vectis Stone** jumped 14 to 54p following a bid approach, while **Marshalls (Halifax)** rose 10 to 243p in response to good annual figures and a 100 per cent scrip issue. **Meyer International** firmed 3 to 143p *awaiting today's preliminary* statement.

Leigh Interests gained 5 to 102p following good annual results.

Rally in stores

Secondary Stores hard hit in last week's shake-out staged a useful rally, albeit in a disappointing business. **Owen Owen**, 255p, and **Our Price**, 535p, rose 15 apiece, while **Body Shop International**, *which fell 155 last* week despite revealing near-treble interim profits, finished 20 to the good at 695p. Buyers also displayed fresh enthusiasm for **Etam**, 14 better at 192p, and for **J. Hepworth**, 12 up at 230p. *Favourable Press comment lifted* **Harris Queensway** 12 to 240p, *and* **A. Goldberg** *4 to 62p, after* 66p.

Leading Retailers lacked a decided trend. **Woolworth** put on 7 to 395p and **Gussies A** 5 to 785p, but **Habitat Mothercare** gave up 10 at 386p and **Burton** eased a *few pence* to 476p.

Electricals regained some *composure after the traumas of* the previous Account. **Racal**, 8 dearer at 184p, led the majors higher while **Plessey** hardened a couple of pence to 132p, after 134p, following press comment. **Thorn EMI**, reflecting revived *talk of a bid from Hanson Trust,* put on 6 to 433p. Elsewhere, **International Signal and Control**, at 293p, and **Oxford Instrument**, at 287p, both improved around 5 after newspaper mention and **Volex** advanced 12 to 170p on buying ahead of next Monday's annual *results.* **Alphameric** responded to the 53 per cent *jump in annual profits* with a gain of 7 to 140p. **Atlantic Computer** rallied 15 to 325p as did **Oceonics**, to 80p, while **CML Microsystems**, 195p, and **MMT Computing**, 160p, recovered 10 apiece. Speculative favourite **United Scientific** gained 7 to 185p, but **Acorn Computer** fell 2 *to* 10p on adverse comment.

Numerous features emerged *in Engineerings.* **Vickers**, reflecting compensation hopes, advanced 12 to *292p,* while **Vosper** put on 12 to 300p for the same reason. Takeover gossip continued to surround **TI** which moved up 8 to 272p and bid speculation was also behind the rise of 18 to 208p in **Hopkinsons** *an dthe improvement of 10 to* 150p in **Spear and Jackson**, **Baker Perkins** rose 6 to 198p ahead of Friday's results and **Tyzack Turner** jumped 10 to 90p on speculative support. **Westland**, on the other hand, dropped 11 more to *115p on further consideration of* the board's decision to accept *the* Alan Bristow-led consortium bid. **Tex Abrasives**, at 93p, encountered profit-taking and lost all but a penny of Friday's rise of 26 which greeted the announcement that Edward Le *Bas, a private industrial holding* company, had acquired a near-30 per cent stake in the company.

Trading statements and bid speculation prompted several noteworthy movements in the Food sector. **Unigate** celebrated annual profits at the top of market estimates with a gain of 9 *to 171p, but Avana's preliminary* figures proved to be disappointing and the close was a net 25 down at 625p. **S. & W. Berisford** dipped to 159p following uninspiring interim results and a cautious statement before picking up to close unchanged at 163p. Takeover favourite **Rowntree Mackintosh** *put on 12 to* 410p on fresh suggestions of a possible bid from Imperial Group, while **Ranks Hovis McDougall** rose to 144p and **Bassett** the same amount to 167p xd. Retailers regained composure after Friday's shake-out, **Dee Corporation** rallying 8 to 250p *and Argyll 5 to 310p.*

Boots below best

A firm start to the new Account *made by the miscellaneous industrial* leaders featured **Boots**, which advanced to 200p before closing 10 higher on balance at 198p, on speculative buying fuelled by talk of a bid from either a U.S. consortium or Hanson Trust. *Pilkington,* also recently rumoured to be on Hanson's shopping *list,* jumped 15 to 298p. **Metal Box** rose 11 to 460p xd and **BTR** improved 7 to 362p. Elsewhere, **Bowater** reflected revived takeover hopes at 280p, up 6, and **Celtic Haven** were prominent with a gain of 9½ to 77p. Sharply better Friday on Falmouth development hopes, **Appledore** rose 14 afresh to 370p after newspaper comment, while **Hollis Bros** rose 7 to 83p following news of the acquisition of a 75 per cent stake in Sinclair Research. **Wolverhampton Steam Laundry** attracted renewed support and finished 4 better at 55p, after 57p, and the USM-quoted **Parkfield** added 8 to 75p. **Solicitors Law Stationery** put on 5 to 43p and **Star Computer** added 6 at 63p, while **Hawley** improved 5 at 87p. **Chamberlain Phipps**, however, fell 6 to 79p following the dis*appointing results and* **PCT** dropped 10 to 140p on news of *the slashed dividend and lower* annual profits.

Carlton Communications improved 42 to 800p xd on confirmation of the acquisition of Michael Cox Electronics, a television products company for £3.2m in shares and cash.

Properties put on another lack*lustre* performance, but the undertone was steadier and leading quotations *generally managed* small gains. Elsewhere, USM-quoted **Towngrade Securities** featured with a gain of 7 to 41p on speculation that a stake had changed hands. **Property Partnerships** rose 10 to 370p in reply to increased *annual profits and a* proposed one-for-two scrip issue. **London and Provincial Shop** put on the same amount at 325p in a restricted market.

Takeover excitement centred mainly on Textiles; dealings in both **Nottingham** *Manufacturing* and **Vantona Viyella** were temporarily suspended at 233p and 332p respectively prior to the noon announcement of agreed merger terms. The deal appeared to be well signposted as dealers had earlier refused to make a price in the former and thereafter were only prepared to deal on a limited basis. Proceedings in both stocks resumed after the announcement and Nottingham subsequently advanced 34 for a two-day gain of 44 to a new high of 256p. Vantona, down to 322p at one stage, rallied to finish 10 dearer on balance at 344p. The developments overshadowed business elsewhere in Textiles, although **Dawson International**, due to reveal preliminary results on Thursday, hardened a couple of pence to 282p. Press mention prompted sporadic interest in **Carpets International**, 2 firmer at 60p.

BP improve

The oil sector staged a minor revival after the recent depression caused by worries over the prospect of further weakness in crude prices. The two oil majors —**BP** and **Shell**—were marked higher at the outset and thereafter held steady to close around their best levels. BP settled 11 to the good at 528p and Shell closed 9 up at 682p.

Second-line oils were highlighted by a good rally in **Falcon Resources**, 8 firmer at 85p. and **Osceola Hydrocarbons**, which improved strongly *after-hours to* close 6 up at 42p. **Caledonian Offshore** were finally 35 easier at 645p after initially moving up to a record 695p. Elsewhere, **Bristol Oil and Minerals** continued their recent good run and touched 27p before ending the day 3 better at 26p, reflecting favourable com*ment in the weekend Press.*

Golds quiet

Mining markets endured another session of widespread falls and general lack of interest but were showing signs of picking up in the after-hour's trade.

Bullion moved within a narrow range *throughout the morning* and early afternoon but edged higher late to close a net $1.5 firmer at $319.25 an ounce following news of a prime rate cut by one of the smaller U.S. banks and a reduction of ½ of one per cent *in Bankers Trust's* broker loan rate.

The response by Golds was slow to develop but generally enabled many issues to edged off the day's lowest levels. The Gold Mines index showed a 5.2 fall to 491.6, although much of the decline was attributable to a number of the constituents going ex the June dividend payments.

The worst performers in the Golds sector included **President Steyn**, which fell ¾ to £19¾. **Free State Geduld**, ¼ *lower at £19 and* **Harmony**, finally ¾ down at £10. Among the cheaper-priced issues **Western Areas** settled 11 easier at 298p and **Elsburg** gave up 7 at 200p.

Platinums provided a firm feature in **Rustenburg** which hardened 10 to 605p but **Impala** remained a vulnerable market and eased a shade to a year's low of 745p. Johannesburg support boosted **De Beers** 5 to 402p.

London-domiciled Financials were out of favour initially but staged a minor recovery during the afternoon to close little changed on balance.

A much steadier performance by Sydney and Melbourne markets overnight arrested the recent decline in Australians. The leaders were mixed—**Western Mining** put on a few pence at 195p but **CRA** dipped 4 more to a 1985 low of 296p—and it was left to the more speculative issues to provide a handful of outstanding features. **Gem Exploration** raced ahead to close 12 up at 56p, reflecting optimism *over the company's diamond* exploration interests, while **Terrex Resources** improved 3½ to 20½p following talk of an imminent statement. **Windsor Resources** moved up 2 to a year's high of 30o and **Australian Consolidated Minerals** rallied 4 to 63p.

Subdued conditions in the underlying shares hindered activity in Traded Options and total contracts struck amounted to only 6,075. A reasonable two-way business developed in **British Telecom** which attracted 778 calls and 991 puts, while interest revived in **Commercial Union** with 479 calls and 178 puts transacted.

FINANCIAL TIMES STOCK INDICES

	June 17	June 14	June 13	June 12	June 11	June 10	year ago
Government Secs	81.73	81.66	81.45	81.66	81.58	81.81	78.92
Fixed Interest	86.18	86.12	86.11	86.15	86.10	86.05	82.82
Ordinary	988.3	979.1	977.0	984.0	998.4	991.3	821.2
Gold Mines	431.6	436.8	429.6	426.6	424.4	421.9	660.3
Ord. Div. Yield	4.69	4.72	4.72	4.59	4.62	4.65	4.92
Earnings, Yld.% (full)	11.72	11.81	11.80	11.72	11.56	11.67	11.18
P/E Ratio (net) (*)	10.42	10.34	10.35	10.42	10.54	10.45	10.74
Total bargains (Est.)	23,331	23,567	21,181	21,161	22,092	21,863	17,373
Equity turnover £m.	—	640.56	394.62	370.98	306.78	302.40	183.76
Equity bargains	—	22,861	19,043	17,765	17,304	18,504	15,544
Shares traded (ml)	—	234.2	197.5	177.6	150.3	155.1	103.0

10 am 982.7. 11 am 985.1. Noon 987.2. 1 pm 988.7. 2 pm 988.7. 3 pm 987.0.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.09.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.58 (4/6)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	928.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	421.9 (18/6)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	June 14	June 13
Daily		
Gilt Edged Bargains	138.4	123.1
Equities Bargains	148.1	123.4
Value	1294.7	797.6
5 day Average		
Gilt Edged Bargains	137.9	146.0
Equities Bargains	123.7	117.6
Value	814.7	709.6

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (50)

BRITISH FUNDS (1)
Treas 10pc 2004
INT BANK & O'SEAS GOVT STLG ISSUES (2)
NZ 11½pc 2014
Sweden 13½pc Ln 2010
CORPORATION LOANS (1)
GLC 6½pc 1990-92
CANADIANS (2)
Intl Corona Res
Inland Nat Gas
BREWERS (5)

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

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ACTIVE STOCKS

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LONDON TRADED OPTIONS

WORLD STOCK MARKETS

AUSTRIA

June 17	Price Sch%	+ or —
Creditanstalt	380	+5
Goesser	525	+5
Interunfall	1,820	......
Laenderbank	373	+6
Perlmooser	665	+5
Steyr-Daimler	197	+18
Veitscher Mag	610	—1

BELGIUM/LUXEMBOURG

June 17	Price Frs.	+ or —
B.B.L.	2,025	—5
Banq. Int. A. Lux	6,020	......
Bekaert B.	5,990	—10
Ciment CBR	2,465	+10
Cockerill	225	+1
Delhaize	9,250	......
EBES	3,005	—5
Electrobel	8,350	......
Fabrique Nat	2,000	+50
GB Inno BM	4,690	+10
GBL (Brux)	1,885	+55
Gevaert	3,825	—20
Hoboken	5,490	......
Intercom	2,810	+6
Kredietbank	9,000	+10
Pan Hldgs.	10,950	......
Petrofina	5,850	—50
Royale Belge	12,000	—100
Soc. Gen. Banq.	3,500	......
Soc. Gen. Belge	1,840	—30
Sofina	7,110	—20
Solvay	4,610	+35
Stanwick Intl.	1,500	......
Tractionel	3,790	—10
UCB	5,220	—30
Wagon Lits	3,400	—20

DENMARK

June 17	Price Knr %	+ or —
Andelsbanken	297	+3
Baltic Skand	575	+5
CopHandelsbank	269	+2
D. Sukkerfab	475	......
Danske Bank	311	+3
De Danske Luft.	1,100	......
East Asiatic	220	+2
Forenede Brygg.	890	......
Forenede Damp.	145	+2
GNT Hldg	395	—5
I.S.S.B.	425	—4
Jyske Band	645	......
Novo Ind	1,650	......
Privatbanken	278	+4
Provinsbanken	347	+3
Smidth (F)	250	+1
Sophus Berend.	1,040	......
Superfos	418	+6

FRANCE

June 17	Price Frs.	+ or —
Emprunt 4½% 1973	1,606	—23
Emprunt 7% 1973	8,280	+2
Accor	272	+4
Air Liquid	670	+5
BIC	550	......
Bongrain	1,945	+6
Bouygues	820	+20
BSN Gervais	2,505	+4
CIT-Alcatel	1,310	—5
Carrefour	2,160	+55
Club Mediter'n	510xc	+7
Cie Bancaire	656xc	+1
Cofimeg	292	—1
Damart	2,098	—2
Darty	1,408	+52
Dumex S.A.	680	+7
Eaux (Cie Gen)	690	—12
Elf-Aquitane	212.5	+1.4
Essilor	2,380	......
Gen. Occidentale	729	+3
Imetal	108	......
Lafarge Coppee	568	—1
L'Oreal	2,595	+14
Legrand	2,249	+21
Maisons Phenix	240	—5
Matra S.A.	1,874	—1
Michelin B.	1,010	—4
Midi (Cie)	2,640	+75
Moet-Hennessy	1,958	—1
Moulinex	88	+0.2
Nord Est	89.5	+0.9
Penod Ricard	766	+11
Perrier	536	+4
Petroles Fra.	251	+6
Peugeot S.A.	408	+6
Printempt.Aus	283	+1
Radiotech	317.8	+3.5
Redote	1,419	+24
Rousul-Uclaf	1,605	—5
Sefimeg	360	—3
SkisRossignol	1,671xc	+21
Telemech Elect.	2,500	+50
Thomson CSF	589	+7
Valeo	215	+9

GERMANY

June 14	Price Dm.	+ or —
AEG-Telef	130.7	—0.3
Allianz Vers	1575xr	+5
BASF	218.4	—0.9
Bayer	227.5	—1.2
Bayer-Hypo	335	+2
Bayer-Verein	370xd	—2
BHF-Bank	320	+5
BMW	416.5	+2.5
Brown Boveri	226	+10.5
Commerzbank	197.8	......
Cont'l. Gummi	146	+0.8
Daimler-Benz	817	......
Degussa	339	—6
D'sche Babcock	153	—2
Deutsche Bank	541.5xd	—3
Dresdner Bank	221.5xd	—0.2
GHH	157.9	+1.9
Hochtief	550	......
Hoechst	220.1xd	—3.4
Hoesch Werke	112	......
Holzmann (P)	475	......
Horten	178	—0.6
Hussel	280	—3
Karstadt	229	+0.5
Kaufhof	244.8	+4.8
KHD	261	+4
Kloeckner	70.5	—0.6
Linde	475	+3
Lufthansa	199.5	+0.6
MAN	156	+1
Mannesmann	176.5	—1.1
Mercedes Hld.	718	+4
Metallgesel	259	—4.5
Munech Rueck	1,890	+60
Nixdorf	590	......
Porsche	1260	—10
Preussag	274	—1.5
Rhein West Elect	171.2	+1.2
Rosenthal	256	—1
Schering	472.5	—4.5
Siemens	567.5	—0.5
Thyssen	112	—0.5
Varta	225.5	—2.5
Veba	202.5	......
V.E.W.	155.8	—0.7
Verein-West	324	+1
Volkswagen	285.3	+10.2

ITALY

June 17	Price Lire	+ or —
Banco Com'le	22,990	+1,380
Bastogi-IRBS	235	+10
B.I-Invest	3,880	+41
Centrale	3,601	+81
Credito Varesino	4,270	+20
Fiat	3,491	+121
Finsider	70.2	......
Generali Assicur.	60,000	+750
Italcementi	40000xa	......
La Rinascenti	899	+29
Montedison	1,905	+20
Olivetti	6,550	—180
Pirelli Co.	4,308	—8
Perelli Spa	2,670	+50
Snia BPD	3,030	—410
Toro Assic.	17,010	+860
do Pref	12,395	+645

NETHERLANDS

June 17	Price Fls	+ or —
ACF Holding	213	+3
AEGON	89.5xc	+1.25
Ahold	231	+1
AKZO	107.4	......
ABN	456	+9.5
AMEV	248	+2.8
AMRO	79.7	+2.4
Bredero Cert	171.5	+5.5
Bos Kalis Westm.	19.7	......
Suehrmonn-Tet.	91	—1
Calland Hldgs.	36.5	+2
Dordtsche Pet'm	170.8	+1.3
Elsevier NDU	119.6	+2.1
Fokker	126.5	+1.5
Gist Broades	185.5	—1
Heineken	147.5	—1
Hoogovens	60	......
Int Mueller	49	+0.5
KLM	58.9	—0.8
Naarden	48	+0.5
Nat Ned Celt	66.7	+1.7
Ned M'd Bank	192.5	+5.5
Nedlloyd	162	+1
Oce Grinten	320	+2.5
Ommeren (Van)	28.5	+0.5
Pakhoed	61.5	+0.2
Philips	61.2	—0.1
Robeco	75.3	+0.6
Rodamco	140	—1
Rolinco	68.9	+0.3
Roranto	46.2	......
Royal Dutch	191.5	+1.2
Unilever	344	+1
VMF Stork	195	+3
VNU	198.5	+2.3
West Utr Bank	104.5	—0.5

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

SWEDEN

June 17	Price Kronor	+ or —
AGA	370	—4
Alfa-Laval	185	—2
A EA (Free)	327	—8
Astra (Free)	402	+17
Atlas Copco	102	......
Cardo (Free)	235	......
Cellulosa	117	+1
Electrolux B	253	—4
Ericsson	294	+3
Esselte	380	—10
Mo och Domsjo	149 xc	—1
Pharmacia	179	+3
Saab Scania Free	385	......
Sandvik	365	......
Skandia	292	+2
Skan Enski'da	48.5	+1
SKF	200	+3
St Kopparbergs.	139	......
Sven Handlesbn	150	......
Swelvosh Match.	188	—7
Volvo B (Free)	216	—1

SPAIN

June 17	Price Pta%	+ or —
Bco Bilbao	347	—2
Bco Central	325	......
Bco Exterior	199	......
Bco Hispano	159	+2
Bco Popular	339	—7
Bco Santander	344	......
Dragados	143.5	—6.5
Hidrola	78.7	—2
Iberduero	89	—3
Petroleos	137.7	—6.8
Telefonica	123.2	......

NORWAY

June 17	Price Kroner	+ or —
Bergens Bank	157	—1
Borregaard	438	+4
Christiania Bank	137.5	—1.5
DenNorske Cred	150.5	+0.5
Elkem	129.5	—2.5
Kvaerner	158	—1
Norsk Data	527xc	+2
Norsk Hydro	100	......
Storebrand	268	—3

SWITZERLAND

June 17	Price Frs.	+ or —
Alusuisse	810	+4
Bank Leu	3,810	......
Brown Boveri	1,770	+5
Ciba Geigy	3,110	+5
do. (Part Certs).	2,465	+5
Credit Suisse	2,685	+25
Elektrowatt	2,770	—10
Fisher(Geo.)	882	+4
Hoff-Roche PtCts	90,375	+920
Hoff-Roche 1/10.	9,050	+100
Jacobs Suchard.	6,025xr	......
Jelmoli	2,250	+10
Landis & Gyr	1,820	+10
Nestle	6,110	+10
Oer-Buehrle	1,550	+5
Pirelli	337	+1
Sandoz (Br)	8,300	......
Sandoz (PtCts)	1,380	......
Schindler (Pt Cts)	870	+20
Sika	1,370	+20
Surveillance	4,570	+10
Swissair	1,185	—5
Swiss Bank	411	+3
Swiss Reinsce	11,650	—50
Swiss Volksbk.	1,670	......
Union Bank	3,990	+30
Winterthur	4,100	—25
Zurich Ins.	24,910	+10

AUSTRALIA

June 17	Price Aust $.	+ or —
ANZ Group	4.4	—0.04
Alliance Oil Dev.	1.15	......
Ampol Pet	1.78	—0.02
Ashton	0.98	+0.01
Aust. Cons. Ind.	2.45	+0.02
Aust. Guarantee	2.3	—0.05
Aust. Nat. Inds	2.35	—0.05
APM	2.7	......
Bell Group	6.8	......
Bell Res	6.6	+0.1
Bond Corp Hldgs	1.22	+0.02
Boral	3.25	+0.01
Bougainville	1.98	+0.07
Brambles Inds	3.45	—0.05
Bridge Oil	2.35	+0.08
B.H. Prop	6.08	—0.04
CRA	5.76	......
CSR	2.64	......
CastlemaineTys.	5.8	—0.22
Coles (C.J.)	3.68	+0.05
Comalco "A"	1.95	—0.01
Consolidated Pet	0.36	......
Costain Aust.	1.6	+0.05
Dunlop Olympic.	2.16	......
Elders IXL	2.95	......
Energ Res.	1.48	+0.03

AUSTRALIA (continued)

June 17	Price Aust.$	+ or —
Gen. Pro. Trust	2.25	+0.02
Hardie (James)	3.26	+0.06
Hartogen Energy	2.85	......
Herald W'y'Times	4.15	—0.05
ICI Aust	1.85	—0.03
Jimberlana F.P.	0.31	—0.01
Kia Ora Gold	0.15	+0.01
Lend Lease	6.6	......
MIM	2.75	+0.05
Mayne Nickless	2.95	......
Myer Emporium	1.97	—0.02
Nat. Aust. Bank	4.16	+0.04
News	7.1xc	—0.1
Nicholas Kiwi	1.73	......
North Bkn Hill	2.22	......
Oakbridge	0.84	—0.01
Pancont'l	1.65	+0.05
Pioneer Conc	1.7	+0.02
Poseidon	3.4	+0.05
Queensland Coal	1.56	+0.02
Reckitt & Coln.	3.5	......
Repco	1.18	......
Santos	5.5	+0.04
Smith (Howard)	4.7	+0.02
Thos. Natwide	1.89	+0.03
Tooth	5.84	......
Vamgas	3.92	—0.05
Western Mining	3.75	+0.07
Westpac Bank	4.03	......
Woodside Petrol	1.33	—0.02
Woolworths	2.72	+0.01
Wormald Intl.	3.6	......

HONG KONG

June 14	Price H.K.$	+ or —
Bank East Asia	22.0	—0.4
Cheung Kong	14.8	—0.5
China Light	14.5	—0.3
Evergo	1.01	......
Hang Seng Bank	44.25	—1.75
HK Electric	7.5	—0.2
HK Kowloon Wh.	5.55	—0.25
HK Land	5.2	—0.15
HK Shanghai Bk.	7.3	—0.15
HK Telephone	91.0	—2.5
Hutchinson Wpa	23.0	—0.3
Jardine Math.	10.5	—0.4
New World Dev.	5.4	—0.1
Orient O'seas	3.1	......
Oseas Trust Bk.	3.15	......
SHK Props.	10.6	—0.2
Shell Elect.	1.25	......
Swire Pac A	20.7	—0.5
TV—B	6.75	—0.05
Wheel'k Mard A.	7.25	......
Wheel'k M'time.	1.10	......
World Int. Hldns.	1.8	—0.02

JAPAN

June 17	Price Yen	+ or —
Ajinomoto	1,130	—10
Alps Electric	1,570	—50
Amada	940	—25
Asahi Chem	995	—45
Asahi Glass	875	—5

JAPAN (continued)

June 17	Price Yen	+ or —
MHI	332	+14
Mitsui	365	+5
Mitsui Estate	855	+21
Mitsukoshi	659	+12
NGK Insulators	815	—2
Nihon Cement	290	+2
Nippon Denso	1,270	—10
Nippon Elect	1,040	......
Nippon Express	457	+10
Nippon Gakki	1,370	—30
Nippon Kokan	145	+4
Nippon Oil	941	+31
Nippon Seiko	525	+3
Nippon Shimpan	678	+5
Nippon Steel	169	+4
Nippon Suisan	373	+10
NTV	12,000	......
Nippon Yusen	311	+6
Nissan Motor	623	—2
Nisshin Flour	535	+5
Nisshin Steel	180	+6
Nomura	1,180	+20
Olympus	1,150	—20
Orient Leasing	3,100	—50
Pioneer	1,800	—20
Renown	731	......
Ricoh	927	—9
Sankyo	1,300	—20
Sanyo Elect	411	—1
Sapporo	482	+5
Sekisui Prefab	731	+2
Seven-Eleven	8,500	+50
Sharp	897	—1
Shimadzu	733	—18
Shionogi	874	—24
Shiseido	1,130	+20
Sony	3,970	—40
Stanley	824	+2
S'tomo Bank	1,870	......
S'tomo Elect	779	—11
S'tomo Marine	727	+2
S'tomo Metal	157	+5
Taihei Dengyo	519	+21
Taisei Corp.	263	+3
Taisho Pharm	1,150	—30
Takeda	866	—6
TDK	4,540	—60
Teijin	456	+6
Teikoku	800	+35
Tokio Marine	928	—10
TBS	925	+6
Tokyo Elect Pwr	2,160	+80
Tokyo Gas	237	+9
Tokyo Sanyo	675	—14
Tokyo Style	920	—10
Tokyu Corp	444	+10
Toppan Print	876	—8
Toray	465	—2
Toshiba Elect	362	......
TOTO	730	......
Toyo Seikan	1,090	+40
Toyota Motor	1,210	—30
Victor	1,710	—20
Wacoal	710	......
Yamaha	705	—5
Yamanouchi	3,010	—90
Yamazaki	845	—4
Yasuda Fire	547	+1
Yokogawa Bdge.	500	......

SINGAPORE

June. 17 — Price $ — + or —

[illegible]

SOUTH AFRICA

June. 17 — Price Rand — + or —

[illegible]

Indices

[illegible]

NEW YORK-DOW JONES

[illegible]

CANADA

TORONTO

Prices at 2.30pm June 17

[illegible]

We regret that due to communications problems this listing is incomplete.

MONTREAL

Closing prices June 14

Sales	Stock	High	Low	Close	Chng
568	DomTxtA	$10¾	10¾	10¾	+ ⅛
1100	MntTrst	$15¾	15½	15¾	+ ¼
22263	NatBk Cda	$20¼	19⅞	20¼	+ ¼
52800	Power Corp	$18½	18¼	18½	+ ¼
3200	RollandA	$20⅛	20	20⅛	+ ⅛
1000	RollandB	$20½	20½	20½	- ½
10293	Royal Bank	$30⅜	29⅞	30⅜	+ ⅜
300	RoyTrstco	$21	21	21	- ⅜
200	SteinbrgA	$40	40	40	- ¼

Total Sales 1,805,542 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 33

[illegible]

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Allied-Lyons	208	+11
Baker Perkins	198	+ 6
Bell (Arthur)	273	+10
Boots	198	+10
Carlton Comm	800xd	+42
Celtic Haven	77	+9½
Etam	192	+14
Falcon Res	85	+ 8
Harris Queens	240	+12
Hollis Bros	83	+ 7
Hopkinsons	208	+18
Nottingham Man	256	+34
Pilkington Bros	298	+15
Spear & Jack	150	+10
TI	272	+ 8
Towngrade Secs	41	+ 7
Tyzack Turner	90	+10
Vantona Viyella	344	+10
Vectis Stone	54	+14
Vickers	292	+12
Volex	170	+12
Wolv Steam Ldry	55	+ 4
Unigate	171	+ 9

FALLS

Treas 2½ pc 2013	£87¼	—¾
Acorn Computer	10	— 2
Avana	625	—25
Chamberlain Ph	79	— 6
PCT	140	—10
Tex Abrasives	93	—25
Westland	115	—11

Prices at 3pm, June 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 33

NYSE COMPOSITE PRICES

Prices at 3pm, June 17

Continued from Page 32

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19 1/2	12 3/4	Oneida	.80	6.2	9	42	13	12 7/8	13	
33 3/4	26 5/8	ONEOK	2.56	8.0	10	33	32 1/4	32	32 1/8	+ 1/8
26 7/8	18 5/8	OranRk	2.04	7.8	10	48	26 7/8	26 3/4	26 7/8	+ 1/8
13 7/8	7 3/4	Orange	.53t	5.0	13	6	10 7/8	10 5/8	10 5/8	− 1/4
28 1/2	19 1/2	OrionC	.76	3.0		354	26	25 5/8	25 3/4	− 1/8
12 3/4	8 1/8	OrionP			36	278	10 1/2	10 1/4	10 3/8	+ 1/8
9 1/4	6 1/2	Orion pf	.60	6.3		21	7 7/8	7 3/4	7 7/8	+ 3/8
31 3/4	24	Orion pf	2.75	9.6		37	28 7/8	28 5/8	28 3/4	
31 1/2	18 3/8	OutbdM	.64	2.9	9	149	22	21 7/8	21 7/8	− 1/8
33 1/2	18 1/2	OvnTr	.72	2.4	12	138	30	29 3/4	30	+ 3/8
18	13	OvShip	.50	3.3	10	44	15 3/8	15 1/4	15 3/8	
37	25 1/8	OwenC	1.40	4.0	9	271	35 1/2	35 1/8	35 1/4	+ 1/8
48 5/8	31 1/4	OwenIll	.80	3.9	10	241	48 7/8	48 1/4	48 3/8	− 1/2
15 1/4	10 1/2	Oxford	.44	3.2	13	66	13 3/4	13 5/8	13 5/8	− 1/8
		P Q								
34	18 3/4	PHH	.88	2.7	13	377	33	32 1/2	32 5/8	− 3/8
41 7/8	27	PPG	1.60	3.8	9	383	41 3/4	41 1/2	41 5/8	− 1/8
29 3/8	15	PSA	.60	2.2	56	10	27	26 3/4	26 3/4	− 1/4
21 3/4	13 1/4	PSA dpf	1.90	9.4		13	21	20 1/4	20 1/4	− 1/4
14 1/2	11 1/4	PacAS	1.54	10.		82	u14 3/4	14 1/4	14 3/4	+ 1/4
20 1/4	13 1/8	PacGE	1.84	9.6	7	3703	19 3/8	19 1/8	19 1/4	+ 1/8
45 1/2	30 7/8	PacLtg	3.32	7.5	12	135	44 1/4	43 5/8	44 1/4	+ 3/8
29	21 1/8	PcLum	1.20	4.8	15	202	24 7/8	24 5/8	24 7/8	+ 3/8
10	5 3/4	PacRes	.05r	.6	27	13	9	8 3/4	8 3/4	− 1/4
19 3/4	13 1/2	PacRs pf	2	11.		13	18	17 5/8	17 5/8	− 5/8
17 1/2	12	PacSci	.40	2.7	11	42	15	14 7/8	15	
77 5/8	54	PacTel	6.72	7.5	9	352	76	75 5/8	76	
13	9 1/4	PacTin	.40	3.5	10	2	11 1/2	11 1/2	11 1/2	
29 1/2	21 3/4	Pacifcp	2.32	7.8	8	2388	29 5/8	29	29 5/8	+ 3/8
33 3/4	27 1/2	Pacif pf	4.07	13.		93	32 1/8	32	32	
43 1/8	25	PainWb	.60	1.7	51	74	35 5/8	35 3/8	35 3/8	
[illegible]										

AMEX COMPOSITE PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 31

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Split trend develops on expectations

THE U.S. securities markets moved in opposite directions yesterday, with bonds continuing to rise while share markets dipped, *writes Terry Byland in New York.*

Bonds were driven higher by hopes of an imminent cut in the Federal Reserve discount rate, but growing worries about the U.S. economy dragged share prices lower.

At 3pm the Dow Jones industrial average was down 5.71 at 1,295.25.

Nervousness ahead of the "flash" estimates on gross national product growth increased after news of a dip in the May industrial operating rate.

Technology stocks remained the centre of interest, losing further ground while oil stocks weakened as Saudi Arabia warned it might pressure other producers by boosting output.

The bond market opened nearly one point higher as Japanese investment houses again bought federal issues heavily after Tokyo permitted Japanese purchases of stripped U.S. Treasury bonds. Prices shaded from their best levels at midsession.

In anticipation of Mexico's cut in crude prices, Wall Street's oil stocks opened with widespread falls. A dip of $1⅛ to $52⅛ in Exxon hurt the Dow average, which was also battered by a renewed plunge in IBM, $1¾ off at $119⅝ as the technology sector took further punishment.

The technology sector opened with a bang, when Burroughs and Sperry announced that their merger talks were off. Wall Street's doubts about the plan were again made clear by the performance of the two stock prices. Sperry, bid-driven for some months, fell $4⅛ to $51⅜ in heavy selling by arbitrageurs, disappointed that this second bid approach had fizzled out. Burroughs edged cautiously ahead by $¾ to $56.

The latest blows to confidence in the technology sector came from Data General, which cut its workforce and warned of a possible operating loss for the June quarter as demand remained weak, and from Hewlett-Packard which is closing its U.S. facilities for one week. Data General fell $1¼ to $32, and Hewlett $1⅜ to $31⅞.

Also weak were Digital Equipment, $2⅛ off at $90⅞, and Control Data $½ down at $25½. Apple Computer rallied by $⅝ to $14⅞ continuing Friday's fall after news of plant closures and layoffs.

Airline stocks opened firmly on hopes of lower fuel prices but succumbed later to the general weakness. United remained unchanged at $54⅝, but Pan American added $⅛ to $6½. Among the domestic carriers, American dipped $¼ to $43⅜ and Delta $¼ to $46⅝.

The Dow transportation average extended Friday's sharp rebound, boosted by gains in some railroad stocks. Burlington Northern added $¾ to $57⅛, and Union Pacific at $47 was up $⅛.

Auto stocks were irregular after the latest industry sales figures. At $73⅜, General Motors added $⅛, but Ford slipped by $¼ to $45⅝. Among the capital equipment stocks, chemicals remained mostly lower, Allied slipping $⅛ to $41⅜ and Du Pont $⅜ to $57⅛. American Cyanamid fell by $1⅞ to $49⅝.

Drug issues shaded from pre-weekend levels as investors waited for the next move by the U.S. dollar, which affects overseas sales. Merck gave up $⅝ of its recent strength to $108¼, while Pfizer at $47⅞ remained unchanged.

Banking stocks responded with minor losses to continuing rumours of impending cuts in prime rates. Banker's Trust was $¼ off at $70⅞, but J. P. Morgan and Chase Manhattan steadied to stand unchanged at $51⅛ and $58¼ respectively.

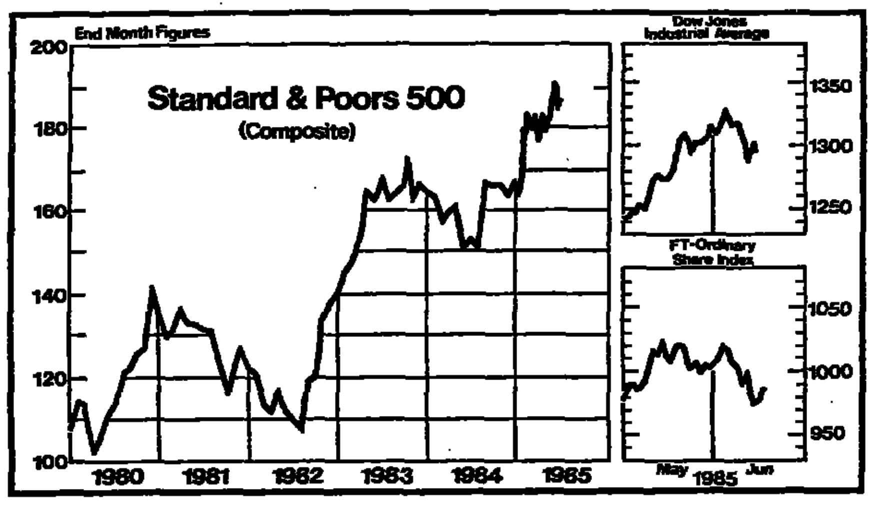
Wachovia fell $2¼ to $35¼ after announcing details of its merger with First Atlanta bank, which gained $1⅛ to $26¼.

In the credit markets, a dip in the federal funds rate to 7 5/16 per cent heightened the chances of a cut in the discount rate, but Treasury-bill rates edged higher ahead of the weekly Treasury-bill auction.

This week, 14bn bills go on the block, but the market appears confident of absorbing them. Banking certificate of deposit rates fell by 10 to 12 basis points as traders continued to anticipate reductions in prime rates, perhaps accompanied by a cut in the Fed's discount rate.

The bond market opened strongly but then quietened. Japanese buying again featured. Gains ranged to three quarters of a point at the longer end, although there was some doubt whether the change in Japanese regulations applied to seasoned as well as newly issued U.S. federal bonds.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 17	Previous	Year ago
NEW YORK			
DJ Industrials	1,295.25*	1,300.96	1,086.9
DJ Transport	639.51*	636.94	458.02
DJ Utilities	164.34*	164.60	122.25
S&P Composite	186.37*	187.10	149.03
LONDON			
FT Ord	988.3	979.1	821.2
FT-SE 100	1,284.4	1,275.5	1,040.1
FT-A All-share	620.53	616.44	488.91
FT-A 500	678.59	673.46	533.74
FT Gold mines	431.6	436.8	660.3
FT-A Long gilt	10.59	10.63	10.76
TOKYO			
Nikkei-Dow	12,769.2	12,685.2	10,057.0
Tokyo SE	1,012.10	1,006.76	776.82
AUSTRALIA			
All Ord.	841.5	840.2	653.0
Metals & Mins.	498.5	493.6	427.5
AUSTRIA			
Credit Aktien	105.73	104.35	54.43
BELGIUM			
Belgian SE	2,327.26	2,325.63	—
CANADA			
Toronto			
Metals & Minls	1,892.1*	1,901.4	1,905.0
Composite	2,711.3*	2,712.5	2,218.4
Montreal			
Portfolio	132.96*	133.12	107.43
DENMARK			
SE	191.59	191.62	181.88
FRANCE			
CAC Gen	224.9	223.5	167.0
Ind. Tendance	125.7	125.1	86.7
WEST GERMANY			
FAZ-Aktien	closed	463.25	338.24
Commerzbank	closed	1,365.8	979.5
HONG KONG			
Hang Seng	closed	1,441.94	932.37
ITALY			
Banca Comm.	332.83	324.29	199.55
NETHERLANDS			
ANP-CBS Gen	209.7	206.9	152.2
ANP-CBS Ind	174.2	172.4	121.0
NORWAY			
Oslo SE	330.04	329.45	252.25
SINGAPORE			
Straits Times	778.05	778.64	923.6
SOUTH AFRICA			
JSE Golds	–	995.7	987.6
JSE Industrials	–	966.0	961.1
SPAIN			
Madrid SE	107.27	108.50	88.39
SWEDEN			
J & P	1,321.45	1,324.17	1,432.95
SWITZERLAND			
Swiss Bank Ind	434.2	432.7	356.3
WORLD	June 14	Prev	Year ago
Capital Int'l	210.8	209.3	174.4

GOLD (per ounce)

	June 17	Prev
London	$319.25	$317.75
Zürich	$319.00	$318.25
Paris (fixing)	$315.67	$316.27
Luxembourg	$317.50	$314.75
New York (Aug)	$321.80	$322.00

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR June 17	U.S. DOLLAR Previous	STERLING June 17	STERLING Previous
$	–	–	1.2795	1.281
DM	3.0615	3.0565	3.915	3.9125
Yen	248.65	248.7	318.25	318.5
FFr	9.335	9.31	11.9575	11.925
SwFr	2.5745	2.5775	3.2925	3.29
Guilder	3.451	3.4435	4.415	4.41
Lira	1,951.0	1,943.5	2,495.0	2,492.0
BFr	61.85	61.6	79.1	78.9
C$	1.3705	1.3685	1.7539	1.753

INTEREST RATES

	June 17	Prev
Euro-currencies (3-month offered rate)		
£	12 7/16	12 7/16
SwFr	5 5/16	5 5/16
DM	5 5/16	5 5/16
FFr	10 5/16	10%
FT London Interbank fixing (offered rate)		
3-month U.S.$	7⅝	7 13/16
6-month U.S.$	7⅝	8
U.S. Fed Funds	7 5/16*	7⅞
U.S. 3-month CDs	7.20*	7.50
U.S. 3-month T-bills	6.74*	6.72

U.S BONDS

Treasury		June 17* Price	June 17* Yield	Prev Price	Prev Yield
9⅞	1987	101 5/32	8.465	101 5/32	8.52
11¾	1992	108 20/32	9.91	108 9/32	9.972
11¾	1995	107 25/32	9.98	107 15/32	10.02
11¼	2015	108 27/32	10.29	108 5/32	10.35

Corporate	June 17* Price	June 17* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	102	9.85	102	9.85
3⅞ July 1990	81⅞	8.50	81⅞	8.50
8⅜ May 2000	85	10.80	85	10.80
Xerox				
10⅞ March 1993	100⅝	10.50	100⅝	10.50
Diamond Shamrock				
10⅞ May 1993	100¼	10.60	100¼	10.60
Federated Dept Stores				
10⅞ May 2013	95.083	11.20	95.083	11.20
Abbot Lab				
11.80 Feb 2013	105.961	11.10	105.961	11.10
Alcoa				
12¼ Dec 2012	104.474	11.70	104.474	11.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	79–15	80–02	79–09	79–11
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	93.16	93.24	93.13	93.17
Certificates of Deposit (IMM) $1m points of 100%				
June	92.75	92.78	92.74	92.74
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	92.30	92.40	92.21	92.24
20-year Notional Gilt £50,000 32nds of 100%				
June	106–12	106–13	106–10	106–19

COMMODITIES

(London)	June 17	Prev
Silver (spot fixing)	487.45p	488.40p
Copper (cash)	£1,127.50	£1,116.50
Coffee (July)	£2,052.00	£2,089.00
Oil (spot Arabian light)	$26.80	$26.80

LONDON

Recovery phase continues

LEADING shares in London extended Friday's late recovery although turnover was restricted by the vast sums of cash tied up in new issues, notably Abbey Life, and company cash calls.

At the close the FT Ordinary share index had regained 9.2 of last week's 22.5 fall and finished at 988.3.

Investors were heartened by news of a prime-rate cut in the U.S. to single figures – Southwest Bank of St Louis lowered its rate from 10 to 9½ per cent. Most tended to overlook Wall Street's inability to maintain Friday's better tone. Sheik Yamani's warning that oil prices could fall sharply unless Opec exerts more control to end persistent discounting made little impression in London.

Activity centred on situation issues. Nottingham Manufacturing, up 34p to 256p, and Vantona Viyella, 10p higher at 344p, responded sharply to news of an agreed merger.

Gilts edged higher, but index-linked securities eased on consideration of the authorities' latest funding in the area. Treasury 2½ per cent 2013 gave up ¾ to 87½.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29

AUSTRALIA

IMPROVED world bullion prices helped gold stocks to move higher in Sydney, but resource and industrial issues ended below their highs for the day.

The All Ordinaries index added 1.2 to 841.6, and the gold index shot up 17.7 to 814.7.

Hooker Corporation led the actives list with 32.6m shares traded in Melbourne. Hooker added 5 cents to A$1.63 after 19.9 per cent of its stock was bought on Friday by Chase Corp of New Zealand.

In industrials Castlemaine Toohey suffered a 22-cent drop to A$5.80, and in media issues, News Corp and John Fairfax both ended 10 cents lower at A$7.10 ex-scrip and A$6.60 respectively.

Resource stocks which held their morning gains included Western Mining, up 7 cents at A$3.75, and MIM, 5 cents higher at A$2.75 ahead of news that it has returned to profitability.

Banks were mixed, with ANZ 4 cents lower at A$4.40, National Australia Bank 4 cents higher at A$4.18 and Westpac steady at A$4.03.

SINGAPORE

AFTER some early profit-taking and some light short-covering, Singapore turned slightly lower in quiet trading.

Worries about the economic slowdown in Singapore and concern about difficulties at some Malaysian banks after increased regulatory stringency by Bank Negara, Malaysia's central bank, made investors cautious and dampened sentiment.

Pan Electric, which topped the actives with 687,000 shares traded, added 12 cents to S$2.25.

Sime Darby remained steady at S$1.94 ahead of news that it had sold its stake in Kempas Edible Oil to Consolidated Plantations.

SOUTH AFRICA

GOLD and mining stocks ended narrowly mixed in Johannesburg, but off the day's lows despite a firmer bullion price, which came too late for any response.

Vaal Reefs ended R2 lower at R175.50, and Southvaal shaded R1 to R82.50, while Western Deep added 50 cents to R85.25.

Mining financials were little changed, with Anglo American steady at R29 and Gold Fields of South Africa 25 cents easier at R31.50.

Elsewhere in mining stocks, a firmer tone was seen. De Beers put on 20 cents to R10.30, platinum stock Impala rose 10 cents to R18.70 and Rustenburg Platinum also added 10 cents to R15.50.

EUROPE

Peak levels held during consolidation

EUROPEAN bourses continued to consolidate their recent advances yesterday, and prices remained firm around their record levels on moderate volume.

Traders drew confidence from U.S. economic data released at the weekend, although foreign investors from Britain and the U.S. who have been steady buyers for the past month failed to appear.

Amsterdam displayed the firmest tone with a broad range of stocks making headway on comparatively heavy turnover.

Optimism of a further decline in Dutch domestic interest rates lay the foundations for the rise, with banking stocks coming in for particular support.

The stock exchanges in both Frankfurt and Hong Kong were closed yesterday because of a national holiday in each centre.

The banking index added 10.4 to 321.9 while the insurance index rose 9.5 to 560.9. The ANP-CBS General index firmed 2.8 to 209.7, showing the market's broad strength.

Among the leading improvers in the banking sector, Amro added Fl 2.50 to Fl 79.70, ABN Fl 12 to Fl 458.50 and NMB Fl 6 to Fl 193.

After a cut in mortgage rates, specialist mortgage banks displayed a mixed reaction as FGH gained 70 cents to Fl 56.30, while WUH eased 50 cents to Fl 104.50.

Amev led the insurers, adding Fl 280 to Fl 248 and Natned rose Fl 1.50 to Fl 66.50.

Major international stocks were stronger. Royal Dutch/Shell recovered some of the ground lost last week amid concern about the international oil price and closed up Fl 1.40 at Fl 191.70. Unilever was Fl 1.70 higher at Fl 344.70.

Dutch government bond prices rose in response to U.S. forecasts of lower interest rates, although the trading level was moderate.

Paris reacted to the sharp decline late last week with a concerted push forward. By the close of trading, advances outnumbered declines by 105 to 65 with 23 stocks unchanged.

Pernod featured among drink stocks, adding a further FFr 11 to FFr 766. Moët-Hennessy was hit by profit-taking after steady advances during recent weeks and fell FFr 1 to FFr 1,958.

Peugeot remained in demand and finished FFr 6 higher at FFr 408, while Michelin declined FFr 4 to FFr 1,010.

Air Liquide continued to benefit from its strong results announced last week, adding a further FFr 5 to FFr 670, while the earnings outlook for Skis Rossignol backed another FFr 21 rise in the price of its stock to FFr 1,571.

Trading was thin in Brussels as prices edged forward during a cautious session.

Petrofina's continued troubles with one of its North Sea drilling platforms depressed trading in the company's stock, and it closed BFr 50 lower at BFr 5,850.

The chemical sector, which received strong buying last week, was mixed. However, Solvay remained keenly sought and firmed a further BFr 35 to BFr 4,610.

Turnover slipped again in Zurich from the peak reached early last week, as share prices marked time.

Leading financial stocks were little changed. Among the improvers, Oerlikon Buehrle rose SwFr 5 to SwFr 1,550, while insurance stocks were generally weaker, with Swiss Reinsurance halving its opening loss to close SwFr 50 down at SwFr 11,650.

In the retailing sector, Globus traded ex its SwFr 85 dividend and finished down SwFr 50 at SwFr 4,850.

Dealings in the market were light, and most issues closed steady as traders awaited indications on interest rate movements.

Prices in Milan closed significantly higher on the first day of the bourse's new month.

Montedison was one of the most actively bought stocks, ending L20 higher at L1,905, while Fiat followed with a L95 improvement to L3,491 and Pirelli L30 to L2,670.

Olivetti moved against the trend to finish L80 down at L6,550.

Foreign buying cast a strong influence across trading which was supported by local institutional support. Demand continued in unofficial after-close trading, pushing Fiat and Montedison higher.

Madrid was weaker, with most banking issues closing lower in thin trading.

In Stockholm the Veckans Affarer index remained unchanged at 453.1, its lowest level for the year. Electrolux encountered further support to close SKr 4 higher at SKr 253.

CANADA

EARLY gains started to dissipate around midsession in Toronto, and stocks appeared to be on their way downwards.

Canamax, which had strong gains on Friday following reports of a gold discovery in Ontario, moved C$⅝ lower to C$6⅝, and Noranda, which has cut its zinc metal selling price for overseas, was off C$¼ at C$15⅞.

Among stocks actively traded, Gulf Canada added C$⅜ to C$18¼, and Husky Oil remained unchanged at C$9⅞.

Miner Echo Bay lost C$⅛ to C$15¾, Lac Minerals rose C$¼ to C$27½ and Dome Mines was steady at C$10.

In Montreal, stocks moved lower across the board.

TOKYO

Institutional buyers lend support

INSTITUTIONAL investors continued to buy large capital issues in Tokyo yesterday, and that led prices higher across a broad front, *writes Shigeo Nishiwaki of Jiji Press.*

Electric railways and other off-the-book asset stocks were also sought. However, biotechnology-related pharmaceuticals and blue-chip light electricals and precision instruments lost ground on small-lot selling.

The Nikkei-Dow market average added 15.90 to 12,769.28 on a volume of 680.73m shares.

The buying by institutional investors came after a fall in U.S. interest rates last weekend. Some observers anticipate another U.S. discount rate cut after the release of the gross national product estimate for the second quarter.

Led by the strength of giant-capital issues, the index surged 36.50 soon after opening, to 12,789.88, coming close to the 12,790.27 peak reached on May 30. But the uptrend slackened as a result of lower blue chips and pharmaceuticals.

Nippon Steel topped the most active list with 126.67m shares traded, rising Y4 to Y169. Kawasaki Steel, fourth with 22.18m, gained Y6 to Y157.

Mitsubishi Heavy Industries, with the second largest volume of 88.33m shares, matched an all-time high of Y333 at one stage, closing at Y332, up Y14.

Utilities remained popular. Tokyo Gas, sixth busiest with 15.63m shares, firmed Y9 to Y237, and Tokyo Electric Power gained Y80 to Y2,160.

Among hidden-asset stocks, Keisei Electric Railway soared Y24 to Y419. Toby Railway climbed Y7 to Y358, Nippon Express Y10 to Y675 and Mitsubishi Estate Y18 to Y843.

All Nippon Airways, the largest domestic airline, gained Y18 to Y675 and Japan Air Lines, Japan's flag carrier, Y200 to Y7,700 on government deregulation of the aviation business.

Blue chips remained weak, with Hitachi shedding Y4 to Y718, Sony Y40 to Y3,790 and Pioneer Y20 to Y1,800.

Biotechnology-related stocks were largely sold, with Dainippon Pharmaceutical down Y120 to Y3,660, Kaken Pharmaceutical Y100 to Y2,240, Green Cross Y60 to Y2,390 and Asahi Chemical Y45 to Y995.

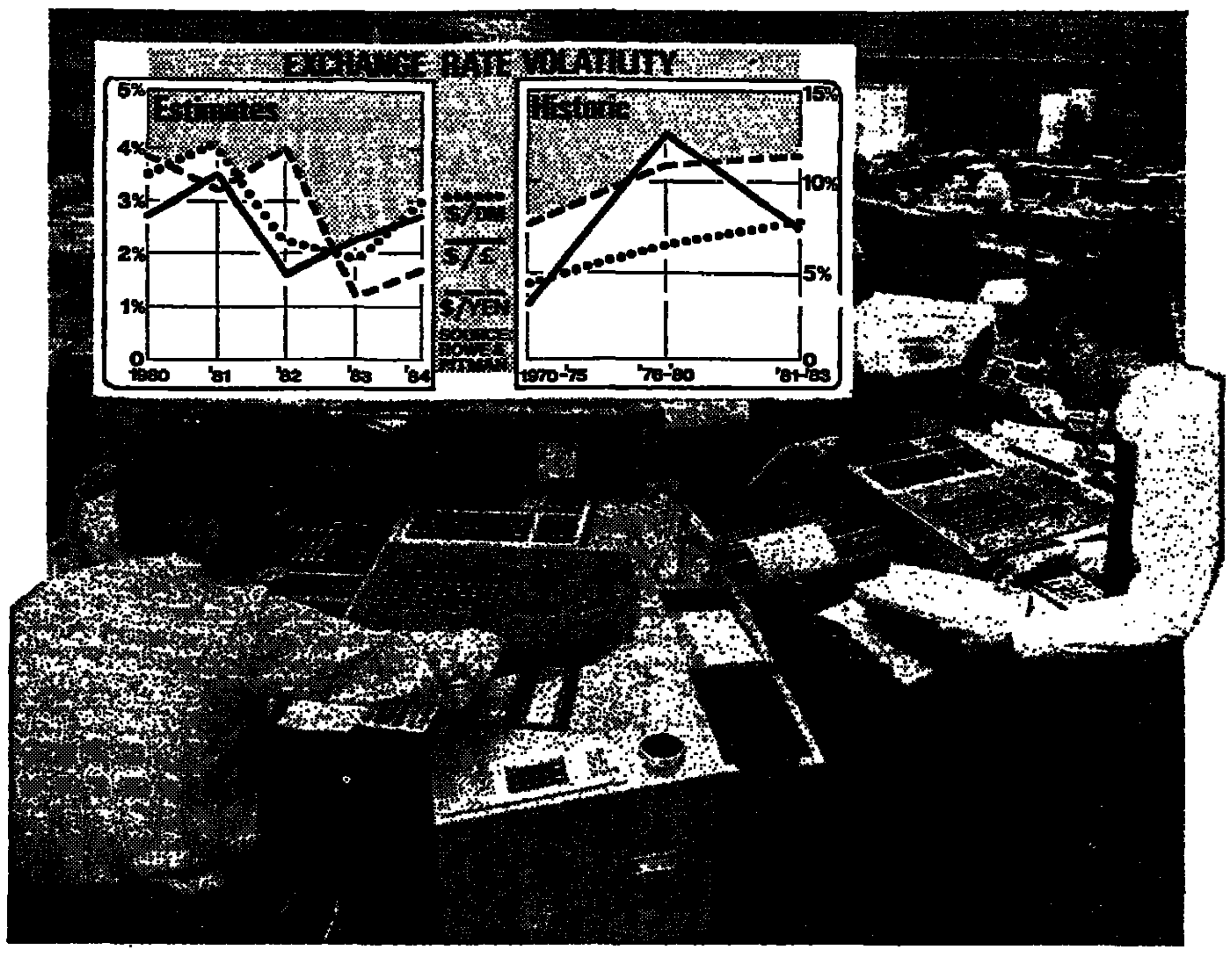
Bonds continued firm on lower U.S. interest rates in heavy trading by city banks and securities companies.

The yield on the barometer 7.3 per cent government bond due in December 1993 rose to 6.445 per cent on profit-taking from its lowest-ever level of 6.435 per cent last Saturday.

SECTION III

FINANCIAL TIMES SURVEY

Foreign Exchange and Money Broking



The boom in foreign exchange markets has been marred for many brokers by heavy pressure on profit margins, as banks seek higher commission discounts on the increased business they are placing

Squeeze put on fee structure

By Phillip Stephens

IF THE strength in the dollar and the violent gyrations on the foreign exchange markets in recent years have bemused economists and confounded industrialists, the reward has been reaped by the major banks and money brokers.

Volatile markets, and the new instruments they throw up, have been translated into increased turnover and, in most cases, bigger profits.

But the apparent coincidence of interest between the banks and the brokers in an ever-expanding market has come under strain over the past two years.

As foreign exchange trading has established itself as a key source of profits in most banks—Barclays, to take one, made a profit of £104m on its foreign exchange operations in 1984—they have put a parallel squeeze on the brokers' margins.

The clutch of UK foreign exchange brokers, led by subsidiaries of Exco and Mercantile House, who dominate the market worldwide have found the income generated by additional business offset by the banks' insistence on hefty volume discounts.

Daily foreign exchange turnover in the major financial centres is now put at well over $100bn. A recent estimate by one British clearing bank puts the figure for London alone at $50bn. The brokers reckon that more than half of that business is channelled through them rather than done directly between banks.

The growth in trading over the past year has not been quite as spectacular as in the previous two, with the swings between currencies occasionally so violent as to discourage rather than encourage increased business.

But the divorce between foreign exchange transactions and the trade flows which used to be their raison d'etre has resulted in an underlying volatility which ensures a steady expansion of turnover.

The markets are now driven by capital rather than trade flows, and currencies have become commodities whose value depends more on the buyers' expectation of its resale value than on underlying economic developments.

The dollar, for example, whose fortunes have continued to dominate trading, fluctuated over a 15 per cent range against the D-mark in the first five months of this year.

The pound, at one stage on an apparently remorseless path to dollar parity, has risen by a staggering 27 per cent from its lows of the year.

And the steady, if still slow, liberalisation of Japan's financial markets has raised hopes that in a few years at least the dollar-yen market will rival dollar-mark trading.

The plethora of new instruments such as financial futures and more recently currency options, conceived initially as hedging devices, have themselves begun to add to the swings with the IMM in Chicago emerging as a major influence on trading.

In the deposit markets business has been stimulated by the renewed momentum in U.S. interest rates after a long period of stability and by the volatility of rates in other countries, although the banks' more cautious lending stance in the wake of the LDC (less developed countries) debt crisis is still a brake on turnover.

For the brokers, however, the picture has been marred by the unrelenting pressure, particularly in London, for bigger and bigger volume discounts on the fee structure negotiated with the banks under the supervision of the Bank of England.

Discounts of 25 or 50 per cent are commonplace and brokers concede that for the very biggest customers 75 per cent is not unheard of.

From next year, the Bank of England is withdrawing completely from negotiations on even the basic fee structure and the resulting free-for-all is widely expected to increase the downward pressure on fees.

Brokers are reluctant to predict just how far the banks will go in trying to squeeze commissions further, in case, as one director of one of the market leaders commented, their forecasts become a self-fulfilling prophecy.

There are hopes, however, that their customers will see the danger of pushing the smaller companies out of business and finding too-polarised a market if they squeeze too hard; and hopes that although the Bank of England is relinquishing its formal role it may still act as a behind-the-scenes referee.

If not, the expectation of many is that foreign exchange business both in London and in the other major centres will eventually become concentrated into the hands of the few largest brokers. The banks will get a cheaper service, but at the cost of less choice.

Mr Derek Tullett, chairman of Tullett and Tokyo Forex, one of the top half-dozen brokers, is more optimistic than many. He believes that the banks' self-interest in maintaining as deep as possible a market will prevent them from seeking further significant commission reductions.

"I do not see any major problem . . . there may be some fine tuning but the overall level is about right now," he says.

A potential development equally worrying for larger as well as the smaller brokers is that the banks in London could seek to extend the system of bulk discounts to the deposit as well as the foreign exchange markets.

So far they have held back—partly because deposits are such an integral part of their business and partly because Eurodollar commissions in London are already very competitive. But the brokers are aware that in other parts of the world, including New York, deposit commissions are freely negotiated.

John Gunn, the chief executive of Exco, which claims to have the largest share in the interbank deposit markets, made it clear in the company's annual report that the underlying growth in the company's profits last year was entirely attributable to money rather than foreign exchange broking.

Foreign exchange broking, he said, has become the poor relation of money broking. "The squeeze on margins being applied by our clients is forcing us to re-examine the profitability of some of our services."

The strength of the dollar had provided some cushion since fees are paid in the U.S. currency and then translated into sterling. But Mr Gunn warned that Exco's strict criteria for return on capital would not lightly be abandoned.

Other brokers have closed unprofitable sections of their business and sought to develop specialist services which the banks are prepared to pay more for.

Currency options, interest rate swaps and future rate agreements (FRAs) are among the areas which offer the potential for higher value added services and bigger profits.

Options and FRAs are now "dealt off the desk" at many brokers and the options business is expected to be given further impetus by the opening of the London Stock Exchange market in options last month and the Liffe market at the end of June.

Deregulation of the London gilt-edged market will provide the opportunity for money brokers to move into inter-dealer broking (IDB) in fixed interest securities. Around 10 companies have indicated that they intend to lodge applications before the Bank of England's deadline later this month.

Robin Packshaw, chairman of broker Charles Fulton, reckons that around 60 to 70 per cent of the business between market-makers in gilt-edged stocks could go through the IDBs.

He shares the doubts of many others, however, as to whether the new market could support anything like ten IDBs when New York operates with half of that number.

Finally the brokers are still looking to Japan to provide a major growth market over the next few years encouraged by the gradual opening up of Tokyo's financial markets.

The leading UK brokers have established links with Japanese companies to ease their entry into the market, and although deregulation is turning out to be a slow process they remain confident of a major expansion.

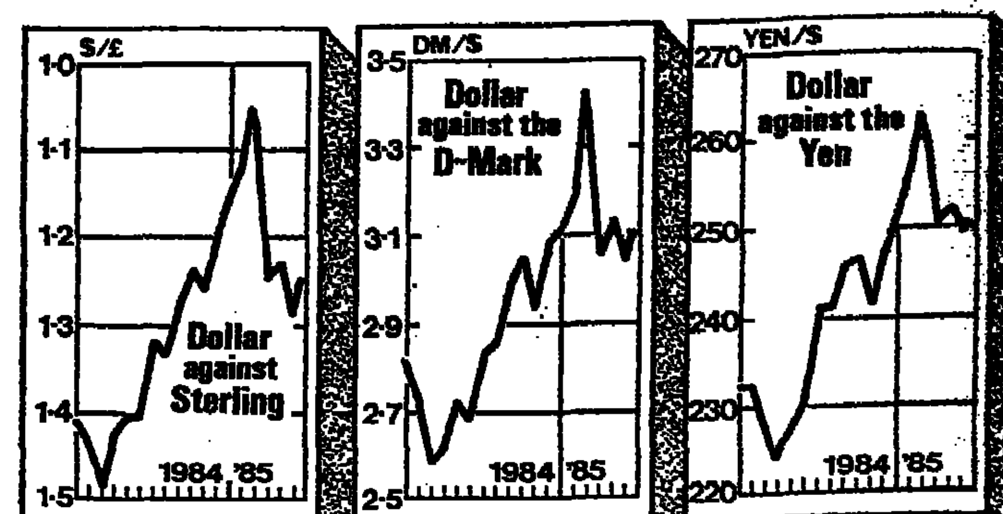
Mr John Barkshire, chairman of Mercantile House, estimates that in five years or so Tokyo will rival London and New York as a source of business, a view that is widely shared in the industry.

Foreign Exchange 2

Credible alternative approach

The Dollar

MAX WILKINSON



IT IS worth considering the arguments of those who maintain that the strength of the dollar results from fundamental factors which will remain to buoy it up for a long time to come.

The list of analysts, international organisations, economic forecasters and central banks, which have prophesied a substantial fall in the dollar is indeed impressive. But the failure of their predictions, and the market's apparent disregard for the overwhelming weight of economic analysis suggest at least that alternative ideas should have a second hearing.

It may be objected that the dollar has *already* started to fall. From its peak of DM 3.45 in February, the dollar declined to DM 3.06 at the end of May. Looked at another way, the Bank of England index for the dollar in terms of a trade-weighted basket of other currencies fell by 7½ per cent from its March peak to 145.3 at the end of May (1975=100).

But the fall of the dollar from the quite extraordinarily high level reached earlier this year hardly represents the correction that so many economists have been arguing for.

The dollar's value at the end of May was no lower than it had been at the end of last year, when it was 11½ per cent higher than it had been at the beginning of the year; it was then by common consent 20 to 30 per cent over-valued in relation to relative movements of inflation, comparisons of the domestic purchasing power of currencies or the competitiveness of U.S. industry in overseas markets.

These are the familiar "fundamental" criteria by which it is judged that the dollar has been overvalued. However, in the present system of floating rates it does not follow from the fact that a currency is overvalued that it will fall, at least in the medium term.

The dynamic reasons for expecting a decline are that the rising U.S. current account deficit (expected to reach nearly $150bn next year compared with only $40bn in 1983), and the associated slide of the U.S. towards foreign indebtedness will finally scare the markets. Or if the markets are not spontaneously scared, the U.S. authorities may become even more worried about the damage which a strong dollar is doing to domestic industries and try more aggressively to push the currency down by easing monetary policy.

Nevertheless, there is an alternative view, which might claim some authority, if only because it seems to explain why the dollar has defied predictions of a decline for so long.

This view, is based on the perception that trade flows and current account balances are no longer the driving force behind exchange rate movements, over quite long periods at least. It used to be thought that over a period, exchange rates would adjust to bring a country's exports and imports into some very broad balance.

Indeed, it is a matter of arithmetic that a country's imports cannot exceed its exports for very long unless there is a balancing flow of capital into the country to pay for the net imports.

Persistent

But countries with a persistent deficit on their trade accounts are not likely to attract a steady inflow of capital indefinitely unless there are special circumstances which make investors believe that the country's trade will eventually come back into balance (the exceptions are when there is a large flow of aid or official lending).

But now, the argument runs, it is the capital account which has become the dominant force behind the dollar, with trade flows adjusting under the influence of the exchange rate to square the balance of payments accounts.

This is a reflection of the fact that floating exchange rates and the liberalisation of caiptal markets have made the currency behave much more like a commodity than a medium of exchange.

If this is the case, the capital account, which reflects demand for the currency as an asset, should provide the main clues to what is going to happen in the future.

Mr Hiroshi Ogai, joint general manager of the International Treasury of the Sumitomo Bank argues, for example, that the U.S. Federal Budget deficit is not likely to weaken the dollar, unless it should rekindle inflation in the U.S. Nor, he says, is there any reason why the trade deficit should hit the dollar so long as Americans continue to buy foreign goods with their own currency.

But most importantly, he argues that the huge surplus of savings now being generated particularly in Japan will continue to flow into the U.S., mainly because their is nowhere else for it to go.

This surplus of capital is likely to increase if anything because Japanese habits of saving are deply entrenched. Almost 19 per cent of Japanese income is saved; this savings ratio is if anything higher than in the period 1965 to 1969, when Japanese industry was growing extremely rapidly and the demand for capital was correspondingly high. Now, with slower growth and a correspondingly smaller demand for capital, the outflow of capital is running at the rate of $50bn a year.

In the U.S., which is traditionally a nation of spenders, the savings ratio is only about a third of that in Japan, but the demand for capital has increased rapidly.

Even if the current efforts to cut the Federal deficit by some $50bn a year are successful, most observers expect the deficit will remain at a high level for many years, probably in the $150 to $200bn range. Though a slowing of the economy would reduce private sector loan demand, it would put the budget deficit under strong pressure.

Even though growth is slowing and inflationary pressures rising (some pessimistic forecasters expect U.S. inflation to reach 7 per cent by the end of the year). Japanese investors can view America as a basically strong economy with prices under control.

However, to the extent that the U.S. economy does weaken, Japanese imports will be reduced. As capital outflows are expected to remain strong, the result would be a weakening of the Yen against the dollar, which would obviously tend to strengthen the dollar.

Equilibrium

So on this analysis one might expect the recent uneasy equilibrium between the U.S. and Japan to continue. One crude way of looking at it is that Japan is lending the U.S. the money to buy Japanese goods, and that immediately suggests why the arrangement may be unstable.

It depends crucially on the confidence of investors. This has been helped by the fact that many international corporations, and particularly Japanese companies, think mainly in terms of dollars rather than their local currencies. If the proceeds of sales to the U.S. are in dollars and the organisation's profits are reported in dollars, it seems natural to many Treasurers to invest any surplus in the U.S.

But if and when the shock comes, instability could quickly feed upon itself. A falling dollar will boost U.S. inflation. Rises in U.S. interest rates could be seen as a sign of weakness rather than strength. The markets' expectations of a fall could then become quite as strong as its previous conviction that the dollar would remain strong.

Profile: Mercantile House

By John Burke

Stealing a technological march

AS THE era of Star Wars opens in the strategic sphere, the financial world is about to be mesmerised by similar wizardry in the fight for foreign exchange winnings.

Launching the first strike is the Mercantile House group of London, whose only major rival is Exco in the worldwide business of money-broking.

Mercantile, based at 66 Cannon Street, is moving its twin subsidiaries in foreign exchange and currency deposits to a new building specially suited for such hectic operations.

Marshall Woellwarth and Co and M. W. Marshall (Sterling) will be equipped there with technology, which British Telecom thinks is at least nine months ahead of any other current communications system.

Amid a media blackout, the first phase has just succeeded with the transfer from New Broad Street of 50 dealers in forward markets and currency deposits. With 98 per cent of their dealing-desks functioning faultlessly, Marshall is about to embark on the critical second stage: moving 200 dealers in the volatile spot markets from 59 Cannon Street.

By July all Marshall's London staff should be relocated following the move of dealers in the Eurodollar and sterling deposit markets. The changeover involves 350 people, which compares with only a dozen employees 20 years ago.

Marshall's managing director, Michael Knowles, says: "This is the most far-reaching move since we were founded by Matthew Marshall in 1860. It is meant to be a masterplan for expansion well into the next century. When fully operational, our custom-built equipment and premises will enable us to provide the fastest and surest service to present and potential clients just as some 70 more foreign banks are coming into the City."

The new centre is Lloyds Chambers in Portsoken Street, and Marshall companies have become sub-tenants with almost two floors. Occupying 35,000 square feet means that they have doubled their previous floor-space.

This includes a dealing room, measuring 27,500 sq ft, the 300 desks of which have the City Keyboard System (CKS) — hitherto untested under commercial conditions.

These consoles update the less swift City Business System (CBS) and apparently pack four years of normal development by British Telecom into 18 months' intense study of Marshall's requirements.

Mr Knowles speaks of a "multi-million deal" and some experts put the price-tag at over £4m. It is certainly the largest order of its kind — entailing 3,200 pairs of wires linked to Wapping telephone-exchange a mile away.

British Telecom formed its biggest teams of engineers for the move which means working round-the-clock over three weekends.

Significantly, the previous such feat for British Telecom was wiring up the London International Financial Futures (LIFFE) market, which was pioneered by Mercantile's chairman, John Barkshire.

What prompted this move is not just the influx of new banks nor the ever-rising volume of money being exchanged, although an extra 20 trainees are being recruited for expansion at Lloyd's Chambers. The harsh fact it that even the present level of business is putting a strain on London's cramped broking-houses.

Sonic pollution is just one of the problems. So British Telecom has had to ensure vocal quality with frequencies that are humanly compatible.

Air-conditioning has been doubled, because the temperature must be chilled to compensate for heat from computers in two rooms. One of them houses a row of Texas Instruments processors linked to a CASE Beeline message switch so as to serve the Automated Confirmation Service (ACS) being introduced for bankers.

ACS was largely the brainchild of Mr Knowles as chairman of the Foreign Exchange and Currency Deposit Brokers' Association (FECDBA). It will cut delays and errors in confirming deals and should prove a godsend as the new-style Marshall trading reaches high speeds.

Mr Knowles says: "We told British Telecom that our topmost priority was to cut to the minimum the actions needed by a broker to respond to a change in the price of a currency so that he spends more time trading." At the touch of a button, a broker can be connected within milli-seconds with any one of 3,000 direct lines to existing clients.

Each of the modular and moulded dealing-desks has a console with up to 240 buttons which can be programmed to give access to the lines needed on this position. Each console also has a speaker box with a dynamic facility so that a broker may at any time select a bank that might need an open line to him.

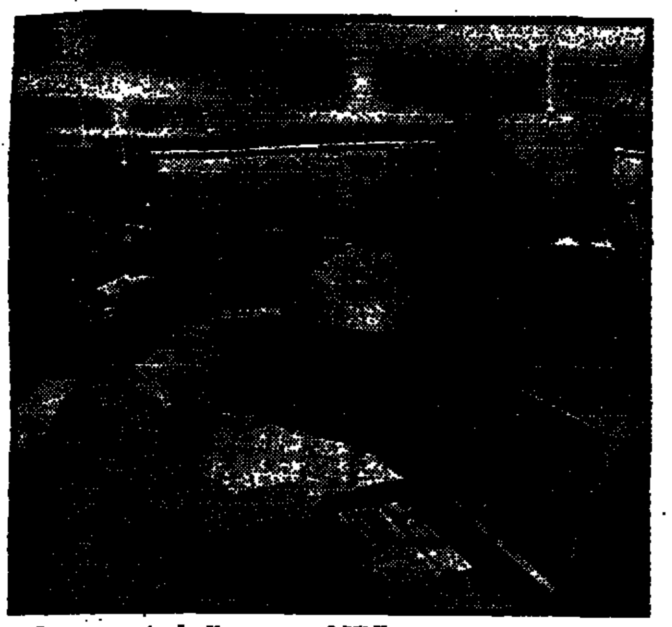
Apart from the usual hard-wired speaker, there is also a facility whereby a broker can broadcast a commentary to as many as six banks at once. The lines can be pre-selected by a simple computerised key operation.

Marshall is reticent about the equipment in a restricted area, where spot D-marks are traded. However, this is known to allow the continental-style service of open lines to be converted at the flick of a switch to the more private system of calling banks in turn, as favoured in London.

CKS is claimed to be of unique versatility, packing a record number of functions into one console.

There must now be a new fear among the broking-houses that they will not even match Marshall's speed, except at the cost of multiple nervous breakdowns. Already there is evidence of a scramble to avoid overcrowding and obsolescence.

On the other hand, Marshall has the headache of trying out tomorrow's technology amid today's top-speed trading. There is a risk, but the skill of the foreign exchange specialist lies in knowing when a gamble should pay off.



The corporate dealing room of Midland Bank group treasury.

Sector boosted by market volatility

Corporate Treasurers

PHILIP STEPHENS

TEN YEARS ago the profession hardly existed; today corporate treasury is perhaps the fastest-growing sector of industrial management.

The Association of Corporate Treasurers, set up in 1979, now claims more than 900 members. It is confident of reaching 1,000 by the end of the year and intends to set the seal on its professional status with the introduction this autumn of an official qualifying examination.

The impetus came in the early 1970s with the introduction of floating exchange rates; the boom when companies realised that the swings on currency markets could wipe out commercial profits if exchange rate exposure was not constantly managed.

And in recent years the volatility of interest rates — with movements of 2 or 3 percentage points over short periods now almost taken for granted — has provided an additional boost.

Speculation, once a dirty word in many boardrooms, became respectable when companies realised that by doing nothing to cover currency risk they were in fact speculating that exchange rates or borrowing costs would remain constant.

Today most large or medium-sized firms regard a corporate treasurer as an essential part of the senior management team; and treasury management is beginning to rival accountancy as the natural route to a seat on the board as finance director.

The approach in different companies still varies considerably.

Many of the multinationals have set up what are in effect small banks, with speculation in currency and deposit markets regarded as an integral part of the business.

Treasurers have also learnt that it is often cheaper to finance UK investments in other currencies, say by raising dollars on the U.S. commercial paper market, and translating the funds into sterling.

Interest rate swaps have provided the opportunity for different companies to share their respective strengths on world credit markets and minimise their weaknesses.

Not all treasurers are so aggressive. There are those, in medium-sized companies in particular, who see their role almost entirely in terms of risk avoidance; essentially, hedging exchange rate exposure.

And even then, as Mr Peter Gallant, an assistant general manager of Midland Bank's group treasury department, comments, they often lack the evaluation procedures necessary to provide an accurate picture of the extent of different risks.

But the increasingly international nature of financial markets and the constant addition of new instruments such as futures, currency options, and future rate agreements (FRAs), have put pressure on the treasurer to take a more active role.

In many companies basic hedging through the use of the forward foreign exchange market or by spreading borrowing across a range of maturities is no longer enough. Treasury departments are regarded as profit centres which must not only minimise costs but also maximise returns.

The job of the corporate treasurer is evolving into what Mr David Westby, the Treasurer of Metal Box, describes neatly as "the company's buyer of financial services."

That role embraces not only liquidity, debt, and currency management but, increasingly, more involvement in the corporate finance work which has traditionally been contracted out to merchant banks.

Mr Daniel Hodson, the finance director of Unigate and the current chairman of the Association of Corporate Treasurers, says that, as the profession matures, the boundaries are widening to include such area as equity finance and mergers and acquisitions.

"Treasury management is not seen simply as a functional speciality, but as a key area of financial management . . . it has become much more decision-orientated," he says.

Part of the explanation is that technological advance has made many of the original tasks of monitoring transactions and liquidity almost routine.

The basic tool of the corporate treasurer is one of the cash management systems on offer from all the major banks.

The systems vary in size and sophistication but the key element is a terminal giving access to up-to-date information on balances and overdrafts in bank accounts throughout the world.

Different banks add a range of extra facilities. Barclays, for example, provides software to transfer all the relevant data from the terminal to the company's records, a package to automate routine clerical work and tailor-made formulae to assess the relative advantages of different hedging and financing instruments.

Later this year it plans to add an exposure management package which will allow the corporate treasurer to make an instant assessment of the impact on a company's finances of, for example, a five per cent swing in the value of the dollar.

The development of such technology has encouraged the centralisation of treasury operations, allowing a group treasurer to net out exchange and interest rate exposure among different subsidiaries and hence reduce costs.

The next stage is full electronic banking, where the treasurer not only receives information across a terminal, but uses the same equipment to make direct cash transfers or foreign exchange transactions.

For the moment many treasurers remain wary of the security implications of terminals which can transfer vast sums of money at the flick of a switch, but in larger companies, at least, the progression is regarded as inevitable.

Instruments to handle almost every exposure

Hedging Markets

ALEXANDER NICOLL

DESPITE the panoply of hedging methods now being aggressively marketed by banks, brokers and exchanges, the annual results of many companies still show their vulnerability to irrespressibly volatile exchange rates.

Recently, even those who thought they were protecting themselves have come under fire. British investment managers tended to hedge their dollar portfolios last year because they felt that the U.S. currency's long-awaited decline must come, and then found that they lost the benefit of the dollar's obstinate rise.

Critics, such as the actuarial consultants Cubie Wood, seized on the portfolio managers' opportunity losses as evidence that they should not involve themselves in new-fangled techniques designed to protect short-term performance. Hedging, it was argued, should not be necessary because an investment in the U.S. indicated long-term confidence in that country's economy.

Exponents of hedging methods, however, would argue that there are now devices to handle virtually every individual exposure and objective, whether it be of the corporate treasurer, bank, investment manager, or wealthy punter.

Three important trends have been developing.

● Among the instruments providing currency hedges, options have been booming. The option concept has been developed in the equity and commodity markets for some years, but its potential has now been recognised for many other applications. Options are very flexible, and strategies for their use can be startlingly simple or blindingly complex. Most importantly, they allow you not only to protect yourself from an exchange rate swing you fear, but also to benefit if the swing is in the opposite direction.

● For every instrument, parallel markets are developing: standardised contracts traded on exchanges, and individually "tailored" products offered by banks or brokers, generally not tradeable. Currency options, for example, can be bought or sold either on an ever-growing number of exchanges, or they can be individually provided by your bank on the mis-named "over-the-counter" (OTC) market to suit your own particular requirements. Clearly, the parallel markets feed off each other partly because exposure created in one market needs to be laid off elsewhere.

● Both of the above trends—towards options and dual markets—are occurring not only for currencies but also for interest rate products. (Interest rate futures, for example, are paralleled by tailored "forward rate agreements"). Currency and interest rate markets—and the products and packages offered to participants—are becoming ever more closely intertwined. A corporate treasurer, discussing hedging techniques at his bank, will be increasingly conscious of both currency and interest rate exposure, and looking for ways to deal with both at the same time.

For most corporate treasurers, the forward foreign exchange market still provides the most familiar and favoured avenue for preventing the inflation of future payables and the diminution of receivables by exchange rate fluctuations. The London market is deep, countless banks have long experience in it, and for many it will continue to provide all that is needed. Even for players in the newer markets, the spot and forward market will remain the backbone of currency trading.

In the U.S., the forward market has never developed depth. A currency futures market began on the International Monetary Market, a division of the Chicago Mercantile Exchange, but even that took many years to develop significant volume. The London International Financial Futures Exchange (Liffe) introduced currency futures to the UK when it was set up in 1982, but all except the sterling/dollar contract have little or no volume.

Clearly futures, while providing a market for banks and more speculative investors, have not fulfilled the corporate treasurer's need for more flexible hedging methods. When treasurer attempts to persuade his board that an entry into the futures market is worthwhile, fellow directors may see it as the equivalent of a trip to the bookmakers without a form guide.

Sensing a potentially lucrative market, U.S. and UK banks developed the OTC options market. Despite one or two hiccups—some U.S. banks are said to have had nasty shocks in the early days—OTC options are offered on an active and reliable basis by up to 20 North American, UK and Swiss banks. Perhaps 50 others are more occasional providers.

Money brokers such as Butler Treasury Services and its New York associate have sprung up as interbank options brokers. And exchanges around the world, led by the Philadelphia Stock Exchange, have rushed to introduce traded currency options.

A currency option provides the right, but not the obligation, to buy or sell a fixed amount of a currency at a given rate at any time before a specified date. An option to buy is a call, an option to sell a put. Most simply, options may be seen as insurance policies. And as with such a policy, the cost is termed a premium.

A UK corporate treasurer, for example, knows that he must pay out $10m in 4½ months time, but fears that the dollar may rise during that period. He may ask his banker, or canvass a range of banks, for an option to sell pounds for dollars —a sterling put—at a given sterling/dollar rate. If sterling falls below that rate, he may decide to exercise the option, thus locking the deal in at the rate and preventing any further damage from the dollar's rise.

But if the market moves the other way, he will still be able to benefit. Sterling rises, so he is able to purchase the needed dollars more cheeply. Provided that gain outweighs the cost of the option, he will be happy. If he had hedged through the forward or futures markets, he would have been protected from a loss—but also protected from a profit.

This is a very simple illustration of what can be a complex tool. Options can also be used in similar ways when tendering for an overseas contract. You do not know whether you will get the contract, but if you do, it will bring instant and significant exposure. You have based your tender on costs and margins at a given rate, and want to ensure profitability if you win.

There is a natural need for options between currencies other than the dollar

Options for such individual purposes—for specific amounts of exposure over odd periods of known durations—are best handled on the OTC market. Premiums used to be erratic and, some would say, too high. But the treasurer of one major UK company who has become a devotee says: "People who say its expensive probably haven't done it. It certainly turns out in our experience to be the cheapest way of doing it."

The OTC options market depends on the active banks continuing to find it profitable to "write" options. Central Banks are increasingly concerned about the risks banks are taking on in the options and other new markets.

Traded options offer greater range to a wider market. Once bought, an option can be either sold, exercised or left to expire. Combinations of calls and puts, of options with differing maturities and exercise prices can provide endless pay to traders with a bent for complexity.

Banks who take on risks through the OTC market have a natural need to lay it off in exchange trading—since the perfect hedge against option exposure is other options.

Investment managers, such as the UK's Foreign and Colonial group, have begun to use options in Philadelphia to hedge their dollar portfolios. Options can, of course, be viewed not just as hedges but as speculative investments in themselves, and speculators undoubtedly provide a significant part of the market's liquidity.

In London, the traded currency option business is just getting under way, with the Stock Exchange and Liffe vying to become the established marketplace for sterling/dollar options—to be followed by D-mark/dollar options.

Apart from the Philadelphia exchange, which has been by far the most successful, other exchanges which offer currency options include the European Options Exchange in Amsterdam and the Montreal Stock Exchange. Chicago's IMM has options on its currency futures contracts.

There is still plenty of scope for new contracts. The EOE, for example, has announced plans for options on the European Currency Unit (ECU).

There is a natural need for options between currencies other than the dollar, since coverage of sterling/mark exposure, for example, would be prohibitively expensive if it was attempted through a combination of sterling/dollar and mark/dollar options.

Thriving in adversity

Currency Forecasts

PHILIP STEPHENS

"WHY WERE the forecasters so dismally wrong in 1984?" was the refreshingly candid title of the address given by one U.S. bank economist to the Financial Times foreign exchange conference earlier this month.

He was, of course, referring to the almost universal view among economists and professional currency forecasters that the dollar would tumble last year. Instead it climbed to ever new heights.

That poor track record has done nothing, however, to discourage the fashion for currency forecasting, with many of those in the business arguing that even a bad forecast is better than none at all.

The businessmen and investors who took—and often paid for—last year's advice, surprisingly, agree.

"The point is that I have to go to my board with some view of what the pound and dollar may do over the next six months or year, and then recommend whether we should be fully hedged or not," said the finance director of one leading company.

"Last year I got it wrong, but the board would not thank me if I said now that I did not want to make any more forecasts."

So the forecasting business thrives in adversity; from the high-powered bank and broking economists, and the technical analysts who run previous trends through expensive computers, to the one- or two-man operations selling "confidential" newsletters.

The approach they take can be divided roughly into two schools.

The first group comprises the macro-economists who try to predict exchange rates by looking at the outlook for key economic indicators and the likely impact on investor decisions.

The second are the technical analysts—they used to be called chartists—who use mathematical formulae to derive likely short-term currency movements from past experience.

The economists have probably fared worse over the past few years as the currency and other financial markets have defied many of the basic tenets which underlay exchange rate developments for much of the post-war period.

The purchasing power parity (PPP) theory, which essentially argues that exchange rates will over time reflect the relative purchasing power of different currencies in respect of a basket of key goods and services, is still held dearly by many economists.

But even they concede that the rapid development of financial markets over the past few years means that actual exchange rates can be totally out of line with theoretical purchasing power for months and years.

The traditional indicators which foreign exchange markets might be expected to react to—trade, growth or inflation figures—have also proved an unreliable guide to how currencies may move.

No one would have predicted a few years ago that the dollar could soar '; record highs while the U.S. was building up the biggest current account deficit ever seen.

Even inflation figures can now trigger perverse reactions—a bad figure in the U.S. was recently taken as good news for the dollar because of the perception that it would force the U.S. Federal Reserve to halt the slide in U.S. interest rates.

The problem for the forecasters is that the markets have become more or less completely divorced from the trade flows which used to determine supply and demand for different currencies.

Less than 5 per cent, perhaps as little as 1 or 2 per cent, of the tens of billions of dollars crossing the exchange each day mirror an equivalent transaction in goods and services.

The forecasts have reacted to this development by overlaying their predictions of developments in the real economy with a much sharper focus on the influence of capital movements and interest rates on currency values.

The economist quoted at the beginning of this article, John Calverley, of the American Express Bank, believes that the forecasters got it wrong because they did not foresee the pull on overseas capital exerted by the high returns on U.S. assets.

This post-facto explanation of why the dollar defied economics' equivalent of the law of gravity, however, does not make it any easier for the forecasters to predict the future.

If interest rate differentials are the key, the forecaster still has to guess to what extent they remain static—and that in turn is likely to depend on accurate forecasts of key variables such as growth, inflation and trade balances.

And what the economist cannot project is how "sentiment"—essentially to what extent investors and dealers will feel confident in holding a particular currency—will move.

It is these considerations which underpin the appeal of technical analysis. Instead of looking forward and trying to predict a whole range of economc statistics, this approach looks at past patterns in the markets and tries to assess whether they will repeat themselves.

It is essentially short-term forecasting, aiming to catch particular movements in currencies which suggest they will continue in the same direction for some time, or are about to go into reverse.

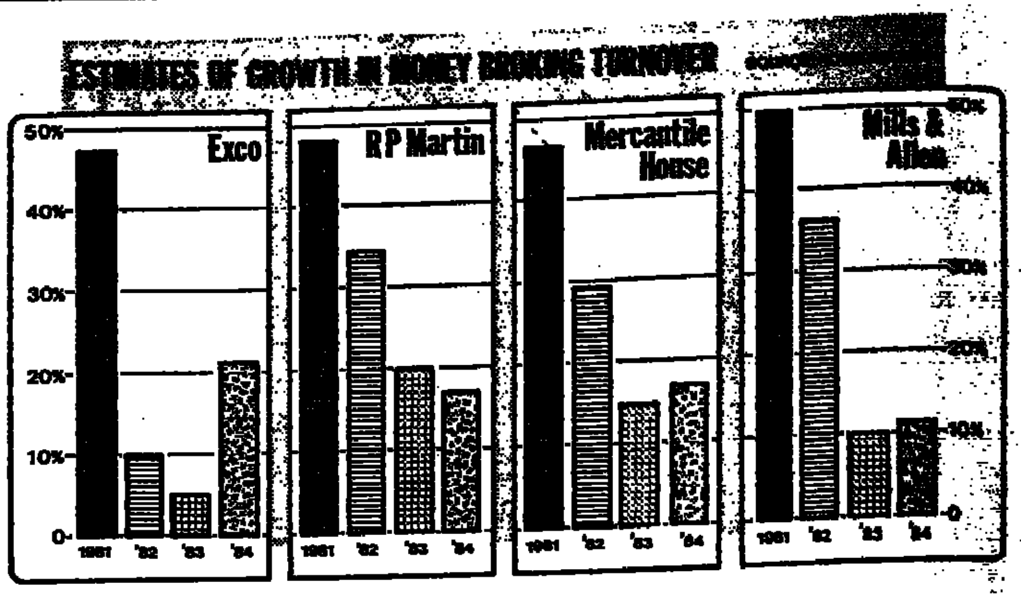
The analysis used to be done of the basis of charts which simply tracked a currency over a certain period and looked for pattens which might repeat themselves, suggesting investors should buy or sell at a particular point.

But, as in most other fields, computers now dominate, with the forecasters feeding in a whole range of data, from moving averages to the momentum of different movements, and coming out with simply recommendations to buy at point Y or sell at point X.

The beauty of such an approach is that it can become a self-fulfilling prophecy. If enough investors or dealers follow a particular system then it will work just because they act on it.

Even its practitioners, however, make no spectacular claims. Henry Hubbe of the U.S. forecasting firm International Treasury Consulting Inc, says that its track record shows that technical analysis is better than tossing a coin.

But he adds that "success even under the best of conditions comes only after the end of a bumpy road:



A more mature market

Brokers

PHILIP STEPHENS

AGAINST THE heady days of the late 1970s when profits were soaring and the traffic in senior staff resembled the soccer transfer market, money and foreign exchange broking now looks an altogether more sedate and settled business.

Not that the organised chaos of the dealing rooms could ever be described as sedate—with traders howling buy and sell orders down open lines to dozens of banks in markets which seem ever more volatile.

But the structure of the business has matured, the technology has leapt ahead, and more subdued profits growth has tempered the early extravagances.

The major London brokers still dominate the scene worldwide. Every broker has different rankings for the top half-dozen in the business, mainly because each can claim to be the market leader in at least one product.

But Exco, through its Astley and Pearce subsidiary, and Mercantile House through Marshall's, vie for first place. Mills and Allen, through Harlow Meyer Savage and Guy Butler, Tullett and Tokyo Forex, R. P. Martin and Charles Fulton are all in the second tier.

Over the past few years the major companies have tightened their grip on international currency and deposit trading in London and New York, and at the same time have forged links with Japanese brokers to ensure a large share in the Yen market.

Market volatility is the lifeblood of broking—and the gyrations on foreign exchange markets has ensured a steady increase in turnover over the past few years.

A study by Martyn Ralph, a broking analyst at London stockbroker Rowe and Pitman suggests that, with one exception, the turnover of the top brokers has increased by at least 10 and often more than 20 per cent in each year since 1980.

The growth of profits has not been quite so spectacular, as large volume discounts demanded by the banks, especially in London, have severely trimmed margins in foreign exchange broking.

There is also a sense of foreboding in the industry, and among smaller companies in particular, at the prospect next year of freely negotiated fees for deals in London.

From January the Bank of England will withdraw as referee between the brokers and the banks in setting a commission structure for the industry. Rates, as in New York and some Far Eastern centres, will be set individually by each bank and broker.

The brokers, however, appear in better shape than for some time to meet the challenge.

After the slump in profits in 1983 they have cut out unprofitable services, reduced overmanning and launched a major drive to reduce their biggest overhead — communications — through the introduction of new technology.

R. P. Martin, for example, which probably leads the field in dollar/D-mark transactions, has been able to boost turnover relative to staff with an openline trading system, which allows a single trader to deal simultaneously with a dozen banks.

The full introduction over coming months of a computerised system to confirm deals between brokers and the banks almost immediately will give a further boost to efficiency.

It should also cut out many of the expensive disputes between brokers on banks on the timing and price of particular trades.

The brokers have also diversified, both in terms of products and geographically. Future Rate Agreements, pioneered by the Swiss-based firm Tradition, interest rate swaps, and currency options are becoming big business.

Many also see a broader role for themselves in the new-style financial markets in London. Mercantile House intends to become a primary dealer in the gilt-edged market, and Exco has consolidated its stockbroking business by acquiring 29.9 per cent of Galloway and Pearson and the money broking interest of Laurie Millbank.

At least five of the top six brokers in London (a question-mark hangs over R. P. Martin) appear confident that they will be accepted as inter dealer brokers (IDBs) in the new gilt-edged market, though all concede that it will not be able to support the total of 10 or so companies expected to apply.

Most have established links with IDBs in New York to provide themselves with ready-made systems for the London markets.

Both R. P. Martin and Charles Fulton have moved to strengthen their capital base, the former with its agreed takeover by the investment group Quadrex Holdings and the latter with its move to go public.

Mills & Allen has sought to consolidate its position in financial services by hiving off its media interest.

Tullett & Tokyo is the only one of the top brokers still in private hands. But chairman Derek Tullett is confident that for the foreseeable future its tie-up with Tokyo Forex, the largest Japanese broker, will allow it to continue to generate enough cash to expand further.

Speculation of further possible shake-ups in the industry once the new London securities markets begin operating have been heightened by the Bank of England's decision to raise the ceiling on banks' holdings in money brokers from 5 to 10 per cent.

For the moment though the possible conflicts of interest between a broker owned by one bank offering prices to others has made the development only a distant possibility.

Robin Packshaw, the chairman of Charles Fulton, who organised a management buy-out of the stake held by Barclays Bank through its acquisition of Wedd Durlacher, says other banks had made it clear that they felt uncomfortable with the position.

The brokers are divided on just how the banks will react to the ending in January of centrally-negotiated fees.

The perception among many is that initially at least they will push for lower fees, which John Barkshire, chairman of Mercantile House, believes will further polarise the business into the hands of the top brokers.

Others argue, however, that the senior foreign exchange management in the major banks has begun to realise the adverse impact of such concentration on the liquidity and depth of the market.

What the brokers are perhaps more fearful of is the possibility that the banks will try to extend the discounting system to deposits.

For many, that side of the business has been the most profitable and in some cases has been used to cross-subsidise foreign exchange.

So far the banks have been quiet on the subject. It is not certain that they will remain so come January.

Increase in complex innovations

Banks

DAVID LASCELLES

THE 1970s and early 1980s were a period when the world's big international banks got deeply involved in — and made a lot of money from — the foreign exchange markets. Not only was it a fast-growing business, with the rise in world trade and, in countries like the UK, the abolition of exchange controls, it also offered opportunities for making substantial trading profits.

But that is now changing. In the last year or two foreign exchange has become a somewhat different activity. The enormous volatility in the parities of major currencies has made trading highly treacherous and much less suitable for banks. The growth of sophisticated new trading instruments like *financial futures and*, more recently, options and swaps has also forced banks to *get to grips with* complex innovations.

Corporate customers now demand much finer rates from their banks, and are pushing back dealing margins. In addition, banks have been obliged to invest vast sums of money in new trading rooms crammed with the latest in computer and communications gadgetry which bloom for a few weeks as "state of the art" before a competitor comes up with something even better.

All told, this has made foreign exchange a less lucrative business for many banks. As the table shows, of the five major banks which are generally considered to be leaders in the markets, only one, Chemical Bank, managed to increase its foreign exchange trading earnings by a significant amount last year, to \$60.6m from \$40.4m the year before.

Citicorp, the acknowledged number one, suffered a 5 per cent decline, though that still left it with more than twice the figure for any of its competitors (assuming that the results can be compared).

Mr Tom Theobald, vice-chairman in charge of institutional banking, said that Citicorp earned more than \$1m on foreign exchange in over 40 countries, which gives an idea of the extent of the group's dealing operations.

The other three banks, Barclays, *Chase Manhattan* and Bank of America, were virtually unchanged, which means that in terms of their overall rising profits, foreign exchange must have declined in importance.

More than a thousand banks actively participate in the foreign exchange markets in the major centres like New York, Frankfurt, London and Tokyo, but only a few hundred could be considered serious players. Many banks must now be seriously considering how deeply *involved they wish to* remain.

Mr Peter Gallant, assistant general manager in the treasury department of Midland Bank, which has begun to take a much more aggressive stance in the market, says that more smaller banks are becoming customers rather than dealers. Midland also gets frequent requests for advice from other banks needing to develop their expertise in options.

For the big banks, though, having a large and credible presence in the market is essential. Although they may no longer speculate in the market to the same extent as before, they need to see as much business as possible in order to get a "feel" for where the market is going. And the more of that business that is generated by corporate customers (rather than simply being inter-bank trading) the better.

Overall, bankers say only about 5 per cent of the turnover comes directly from corporate customers; the rest in inter-bank dealing. However, a large bank like Barclays with a huge customer base and big branch network claims to have about 15 per cent.

Being able to offer not just a foreign exchange service, but also expertise in the new instruments is vital. Corporate treasurers now expect banks to be expert in options and be able to make them all-weather prices. Whether banks actually make money out of these dealings is a different matter. Several large banks, including Citibank, are believed to have lost large sums.

Mr Christopher Bennett, chief manager of the foreign exchange dealers at Barclays, says his own bank only makes a small profit, but has to offer the service to be competitive.

Bankers have mixed views about the role played by brokers in the markets, where they account for about half the business transacted.

On the one hand, bankers resent having to pay what they consider to be excessive commissions to a go-between, and *they complain that* brokers try to "churn" the market to generate business.

The prices quoted by brokers are also no longer the major source of information about market movements now that services like Reuters also put prices on a screen. On the other hand, banks recognise that brokers give them access to a far wider market, and add liquidity

In the UK, the Bank of England-sponsored commission structure *is* to be phased out at the end of this year. The larger banks expect that this will enable them to drive harder bargains with their brokers, and reduce their costs, particularly for Eurocurrency deposits where commissions are *still* most tightly controlled.

By the same token, though, smaller banks with less muscle may find themselves paying higher fees. The current position, where large banks feel they are subsidising the smaller, may be reversed.

Foreign exchange is now a worldwide 24-hour market, and opportunities for arbitraging differences between prices in separate trading centres have been *largely eliminated by instant* communications.

In terms of sheer business volume, London has traditionally been the centre of the market. But that appears to have shifted to New York in the last few years with the growing involvement of both U.S. commercial and investment banks.

This has not, however, led to any decline in volumes traded in Europe because the size of the market as a whole is still growing.

Barclays, for instance, estimates that its customer volume has grown sevenfold since the abolition of exchange controls in 1979. Part of that is inflation, of course. But after a slow start, the growth curve has steepened and is still rising, according to Mr Bennett.

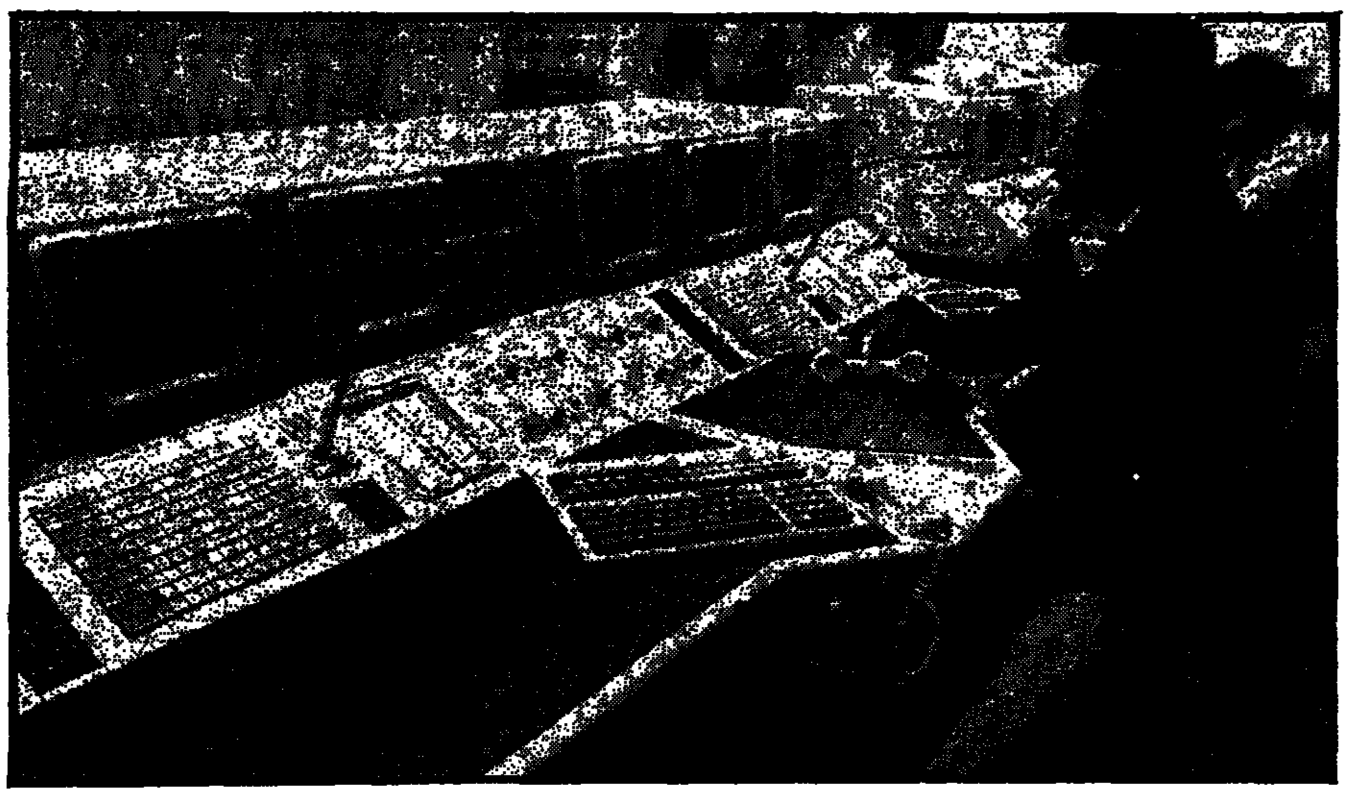
The large Japanese banks are also a major force in the market, though they do not have a reputation as top-rate traders, and they have yet to get into options in a big way. Tokyo, *however, is a fast-growing* foreign exchange centre, and a lure to both foreign banks and brokers.

One constraint on the growth of the foreign exchange business is a shortage of skills and well-trained people. The bars of the City and Wall Street abound with talk of the huge salaries a good dealer can command, but this poses a major problem for the banks.

The chirpy barrow boy skills that once made a good trader are not enough in an age of options and hedges, which require complicated mathematical formulae. Banks are now taking on graduates with mathematics degrees to meet the challenge, another sign of the *growing cost and complication* of running a foreign exchange department.

BANK INCOME FROM FOREIGN EXCHANGE TRADING AND SERVICES

	1984	1983	1982
	\$	\$	\$
Citicorp	258	274	241
Chase M'htn	119	117	130
Bk. of Amer.	101	102	114
Chemical Bk.	60.6	40.4	55.5
	£	£	£
Barclays Bk.	104	107	78



Irving Trust's dealing room, with dealing desks designed by Specialised Banking Furniture International.

Instilling liquidity and unity

Information Services

CHARLES BATCHELOR

THE EXPLOSIVE growth of financial markets over the past decade owes a great deal to the information networks which were developed to serve them. It would be difficult to say whether the growth had created the information systems or the systems had given birth to the growth.

The growth of the international foreign exchange market since the early 1970s certainly owes a great deal to the Monitor system developed by Reuters, one of the leading business information groups.

The creation of a worldwide network of television screens on which banks, brokers and corporate treasurers could display and call up foreign exchange prices gave the market unity and a liquidity it had previously lacked.

Reuters added a facility allowing dealers to carry out transactions through their desk-top screens in 1981, pushing the Monitor idea to its logical conclusion — the network became the market.

In the world of foreign exchange there had never been a central market floor with which the new electronic systems had to compete. But as electronic dealing spreads to the securities field even an old-established market place such as the London Stock Exchange is starting to feel itself threatened.

Having done much to create the foreign exchange and money markets over the past 15 years the large business information providers are now putting a great deal of effort into adding technical refinements to their basic services.

The big two in the foreign exchange and money field — Reuters and Telerate (the U.S. group which is 52 per cent owned by Exco International, the British moneybroker) — are facing increasing competition from software systems houses for custom-made in-house dealer networks.

Keyboards now allow dealers to record electronically the details of their trades, removing the need for the traditional handwritten dealing tickets.

These same systems can compute and display a dealer's exposure in a particular currency and compare it with his dealing limits. Dealers can assess their liquidity position by calling up cash-flow reports on their screens.

Thorn EMI recently launched in the UK the Foreign Exchange Information system (FOXI) developed by Autophon, a Swiss telecommunications group. This allows the automatic calculation of dependent exchange and interest rates, cross rates and the value of currency baskets.

Like the Integrated Dealer Support System on offer from Forex Advisory Services, FOXI allows dealers to work out awkward "broken date" forward deals as well as carry out "what if?" calculations on the value of individual deals.

The proliferation of information services available has encouraged users to seek to customise their in-house information systems. Ultimately this could have far-reaching effects on the *turnover* and profits of the information vendors.

Customers face the twin problems of the high cost of the information and the space constraints of already crowded dealing rooms.

Why, they ask, should they pay for the full range of "pages" available on a particular service when they need only a few key pieces of information? And how do they find room on their desks for the terminals of several different information vendors?

The information providers have found a partial solution by devising composite pages, grouping heavily-used key data from different markets on a small number of pages.

But the integration of data from more than one information vendor requires more radical solutions. Reuters acknowledged this earlier this year when it bought Rich Inc of Chicago, a designer of communications systems for financial trading rooms.

The Rich system provides for a single console which controls financial information from many different sources.

If customers start developing their own in-house information systems this could threaten the traditional basis on which vendors charge for their services according to the number of terminals installed.

Users would only need one data feed which they could then process through their own personal computers. Some users may already be manipulating incoming data feeds without the information vendors knowledge, according to Mr Robie Uniacke of First Market Intelligence, a market research organisation.

The information vendors are aware of their customers' desire for tailor-made systems. Reuters developed jointly with Marshall Woellwarth, the moneybroking arm of Mercantile House, a "deposit shuffling" system for use by Marshall's offices worldwide.

This system uses the Reuters Monitor network to record and display incoming orders.

"We use Reuters as an internal communicatioins system," said Mr Derek Scotchbrook, a director of Mercantile. "We use Monitor to expose our own rates internally and the Reuters dealing system for internal queries and payments."

Growing competition for the custom of the big information users has been paralleled by an increase in the number of services designed for the less heavy user.

Prestel Citiservice provides spot and forward rates for 34 currencies as well as gilt and financial futures on a pay-as-you-use basis. Subscribers can access the service paying a time charge for the connection to the computer and a small charge for each page used. Citiservice is a joint venture of British Telecom and ICV Information Systems.

A more basic foreign exchange service provided by British Telecom is its two-minute Citycall bulletin. This is available to anyone dialling a special telephone number for the 20p cost of the call.

From sophisticated networks costing thousands of pounds a month to information available for the price of a phone call there appears to be no end in sight to the growth of the financial information business.

Foreign Exchange 6

Emergence of a star performer

ECUs

PETER MONTAGNON

THE European Currency Unit (Ecu) has recently emerged as a star performer in the world's money and capital markets, as borrowers and lenders cast around for an acceptable alternative to the U.S. dollar.

According to the investment bank Credit Suisse First Boston, new international bond issues denominated in Ecus surged to Ecu 3.5bn last year from just Ecu 2bn in 1983 and, based on present trends, business could easily double again in 1985.

At the same time the Ecu has enjoyed a period of rapid growth in international bank lending. The Basle-based Bank for International Settlements calculates that Ecu bank loans outstanding at the end of last year totalled equivalent to some $18bn.

That was a share of only 1.7 per cent in the total Euromarket, but it put the Ecu ahead of several other major currencies including sterling, French francs and Dutch guilders as a vehicle for bank lending.

Also, Ecu business in both the capital and money market has recently been developed from scratch. Five years ago almost no business at all was conducted in the unit, which is the currency basket of the EEC (European Economic Community).

A look at developments in the world monetary scene since then explains why the Ecu has become such a force in international finance. During that time the dollar has risen inexorably on currency markets while interest rates have remained very high.

That may have been good for investors who purchased dollar bonds, but it has made life much harder for European borrowers in the international marketplace who have seen their dollar debt become progressively more expensive to service.

Non U.S. banks whose capital is denominated in currencies other than the dollar have also seen their gearing ratios undermined as the dollar's appreciation bloats the value of their loan book without any corresponding increase in the value of their capital.

As the U.S. currency scaled higher and higher peaks some investors have also become wary of adding more and more dollar securities to their portfolios. What they have been looking for is an alternative that will allow them to hedge against any fall in the dollar, but still provide a high return. The Ecu, which unlike the IMF's (International Monetary Fund) Special Drawing Right contains no dollar component at all, fits the bill exactly.

The Ecu is a basket of the currencies of all the 10 member states of the European Economic Community weighted according to their share of EEC trade. As such it contains elements of some currencies such as Irish pounds and Greek drachmas that are hard for international investors to obtain as well as a high proportion of high yielding European currencies usch as sterling, Danish crowns, French francs and Italian lire.

The European Monetary System itself has been stable for more than two years, during which there have been no currency realignments. That means that the Ecu has performed on exchange markets as well as the traditionally strongest European currencies such as the D-Mark and Dutch guilder, while offering a higher rate of interest.

Small wonder that it has met demand from investors, especially since one of the common characteristics of efforts to diversify away from the dollar has been a quest on the part of many investors for high-yielding alternatives. This has also boosted interest in bonds denominated in currencies such as the Canadian dollar, sterling and Australian and New Zealand dollars.

In the bank lending market, however, the Ecu remains something of a novelty for two main reasons. First of all the borrowers tend to be Italian and French entities who have a special interest in needing to diversify away from the dollar and want to minimise their exchange risks.

Since the Ecu contains elements of both lire and French francs an Ecu loan is a very good way of doing this. The Ecu has however, been less in demand from other borrowers though Ecu loans have been raised by the Soviet Union, as well as some Spanish and Portuguese borrowers.

At the same time depositor interest in Ecus has lagged slightly behind the demand for loans denominated in the unit. The Bank for International Settlements figures show that at the end of last year international bank liabilities in Ecus were equivalent to $16bn, some $2bn below the total of outstanding loans.

This means that banks have had to concoct Ecus for lending by manufacturing them out of deposits taken in the 10 component currencies.

The Bank for International Settlements argues that the Ecu now has to break out of its current mould, both by attracting more Ecu depositors from a broader geographical base (up till now most have been resident in Belgium and Luxembourg) and by proving its universal appeal as a vehicle to borrowers. What is needed is a greater variation on the diet of Italian and French borrowers.

Some bankers argue that the first of these two problems, particularly, might be helped by the establishment of a clearing system for international Ecu deposits which a group of private banks led by Credit Lyonnais wants to set up in conjunction with the Bank for International Settlements (BIS).

The BIS has given its blessing to this in principle but certain technical problems still have to be ironed out.

Once they are and the system is operational it should become much easier to handle Ecu accounts, and that could lead to an expansion of the market.

So far it is in the bond market that the Ecu has really made its mark. Demand for Ecu paper has been very strong this year and, despite a strong flow of new issues, coupons have fallen decisively through the 10 per cent barrier that was previously considered a sticking point.

More important still is evidence that Ecu bonds now have a pretty broad-based investor appeal.

The EEC for example last year launched an Ecu 150m issue in the U.S. domestic market, the first time that any borrower has ever issued a foreign currency bond in New York. Yet so strong was interest that the EEC was able to raise its amount to Ecu 200m.

This was a far cry from the early days of the Ecu bond market when investors were mainly confined to Belgium and Luxembourg. Over the past year interest in Ecu paper has clearly spread well beyond these narrow confines, and, with the development of a swap market in Ecus, the currency has also assumed appeal for a broad range of issuers.

Flushed with its success in New York the EEC i now considering launching an Ecu bond issue in Tokyo, the first foreign currency bond to be launched there in six years. There could hardly be a better way of demonstrating that in five years of rapid growth the Ecu has really made its mark.

Better support for frontline traders

Technology

ALAN CANE

"A NEW YORK trader once *told me" Pauli Robathan writes* in his new book on dealing room design* "When you pick up the 'phone, one thing you know for sure, the guy is out to take you for all he can get.

"Only by supporting the frontline trader with high quality information and the most adaptable access to it," he concludes, "can trading operations hope to be successful in the years to come."

This is the principal reason why the dealing room has replaced the computer centre as the major technological attraction in the big banks and financial institutions, and why young foreign exchange dealers boast about the merits of their system over lunchtime drinks.

The amounts the big banks and finance houses are prepared to spend on these new financial shrines are considerable.

Some $30m and more is not atypical. A single dealer desk can cost $3,000 even before any of the sophisticated electronic gadgetry used in modern foreign exchange dealing has been fitted.

Foreign exchange dealing, of course, has not changed only because of the new technology. Continuing instability in world markets has meant that dealers are handling significantly bigger transactions and handling them faster. Computer technology is the only economical way in which dealers can keep track of the markets and their own positions.

There have been unexpected side-effects. Dealing rooms are traditionally noisy places where the shouts and cries of the dealers vie with the clatter of the telex machines and the rattle of printers.

In many rooms, all of that has given way to a quiet electronic whine, which some dealers find unnatural. Indeed, some banks have had to find ways of generating artificially the traditional hurly-burly of the market place, after finding that the quality of trading was suffering from too much peace and quiet.

The development of foreign exchange dealing rooms and systems mirrors on the one hand the pattern of change in foreign exchange worldwide, and on the other, dramatic developments in computer technology.

Manual methods of tracking and recording foreign exchange deals were satisfactory, if time consuming and clumsy, until the early 1970s when the industrialised countries decided to abandon fixed rates of exchange and float their currencies.

This opened a new era characterised by violent rate fluctuations which made it difficult for the banks to estimate their daily positions, not only in foreign currency but in pure accounting terms.

At the same time money trading accelerated rapidly through an increase in international trade, the development of international companies and the large and changing surpluses and deficits of countries.

Early systems were dedicated simply to tracking and recording deals. The big banks had large central computer installations and their foreign exchange tracking software was tailor-made for them by "blue-chip" software houses like CAP and Logica in the UK. Smaller banks and bank branches simply did without.

Two major changes have shaped the devlopment of dealing systems since then. First, in the mid-1970s the development of minicomputers and small mainframes cheap enough to be installed in a small bank or branch, but capable of running foreign exchange dealing and tracking software.

These systems, essentially "back office" accounting programes, were developed by small software houses.

Because London was the centre of the international foreign exchange world, these companies were all London based. BIS, creator of the best-selling Midas package is still the world leader with well over 330 installations in 52 countries. The package was written to run on IBM's System/32 office computer and has been rewritten to run on the System/34 and System/38.

Technologically, the move to put Midas on System/38 is very significant. IBM's S/32 and S/34 were very popular small business machines, but they were completely traditional in approach.

System/38, however, is a very unorthodox machine, a computer specialised to handle what is called a "relational database," a system which makes it possible to examine the information in the computer's memory in many different ways.

So Midas runing on the S/38 is very much a "second generation" system exploiting the advantages of new and very powerful computer hardware.

The Kapiti stoftware package, another early leader, now also runs on S/38 while the third member of the foreign exchange triumvirate of the 1970s, Arbat, has moved its system up the Digital Equipment range so that it now runs on the very fast VAX computers.

Banking software is traditionally written for IBM or Digital Equipment computers as bankers, more than most, prefer only to deal with the biggest and most secure companies. An exception there is the growing use of Tandem and Stratus hardware, chosen for its capacity never to stop working even if parts of the system fail.

The second major change over the past few years has been the development of systems able to deliver massive amounts of information to the dealer's desk and new ways to enable the dealer to manipulate and use that information.

Typically, a foreign exchange dealer might want on his video screens (two or three screens per dealer is the fashionable number) details of his in-house rates, Reuter Monitor data and Telerate data, together with ADP Comtrend analyses.

The problem is how to provide all this information economically and effectively.

There are a number of basic approaches. The videotex approach has been exploited by the systems house Aregon International. The various "data feeds" (information for a provider in electronic form) are fed into a powerful computer which reformats the data into videotex pages similar to British Telecom's Prestel system. The dealer can call up individual pages to his screen. It is cheap and quite fast, but the dealer cannot manipulate the information to any great extent.

A second approach is the "video switch;" a good example is the Rich Composite Information System developed by Rich Inc of Chicago (now taken over Reuter). These work on the principal that external sources such as Reuter and Telerate can easily be converted to a common standard and delivered over shared communication lines.

A third approach involves a "digital switch," again a powerful computer which takes in data feeds as digital signals (computer language) and distributes them, again digitally, to the dealer workstations.

The closest so far to a true digital system isp rovided by Micrognosis which installed its first system at Citibank New York.

The development of these sophisticated systems is still in its infancy. *Most of the foreign* exchange software packages installed and on the market are still basically "back office" accounting systems.

The third phase in the computerisation of foreign exchange dealing will be the development of intelligent dealer workstation based on personal computers.

Some elements of these advanced systems are already in place. Companies such as Logica and BIS have been developing voice input systems where the dealer can call a particular page of information to the screen simply by speaking the page number into a microphone.

More developed at present is the graphics tablet, a board which sits on the dealer's desk by the terminal with all the information — buyers, sellers, prices and so on—that a dealer conventionally enters on a printed dealing slip.

The dealer simply places an "electronic pencil" or stylus on the printed word to enter the data into the system.

For the future, expert systems are seen to have massive potential. These are pieces of software which can add something like "intelligence" to a workstation.

The collective experience and expertise of a group of dealers is fed into the system. Rules drawn from research into artificial intelligence are built into the software, which makes it possible to receive a "reasoned" answer to queries about the information in the system.

Pauli Robathan points to the importance of expert systems in imparting the expertise of the most skilful trader to all the traders in the room: "This is even more valuable when the most skilful trader is also the manager and no longer carries out the majority of the deals."

**Dealing Room Design, Oyez International Business Communications, 1985.*